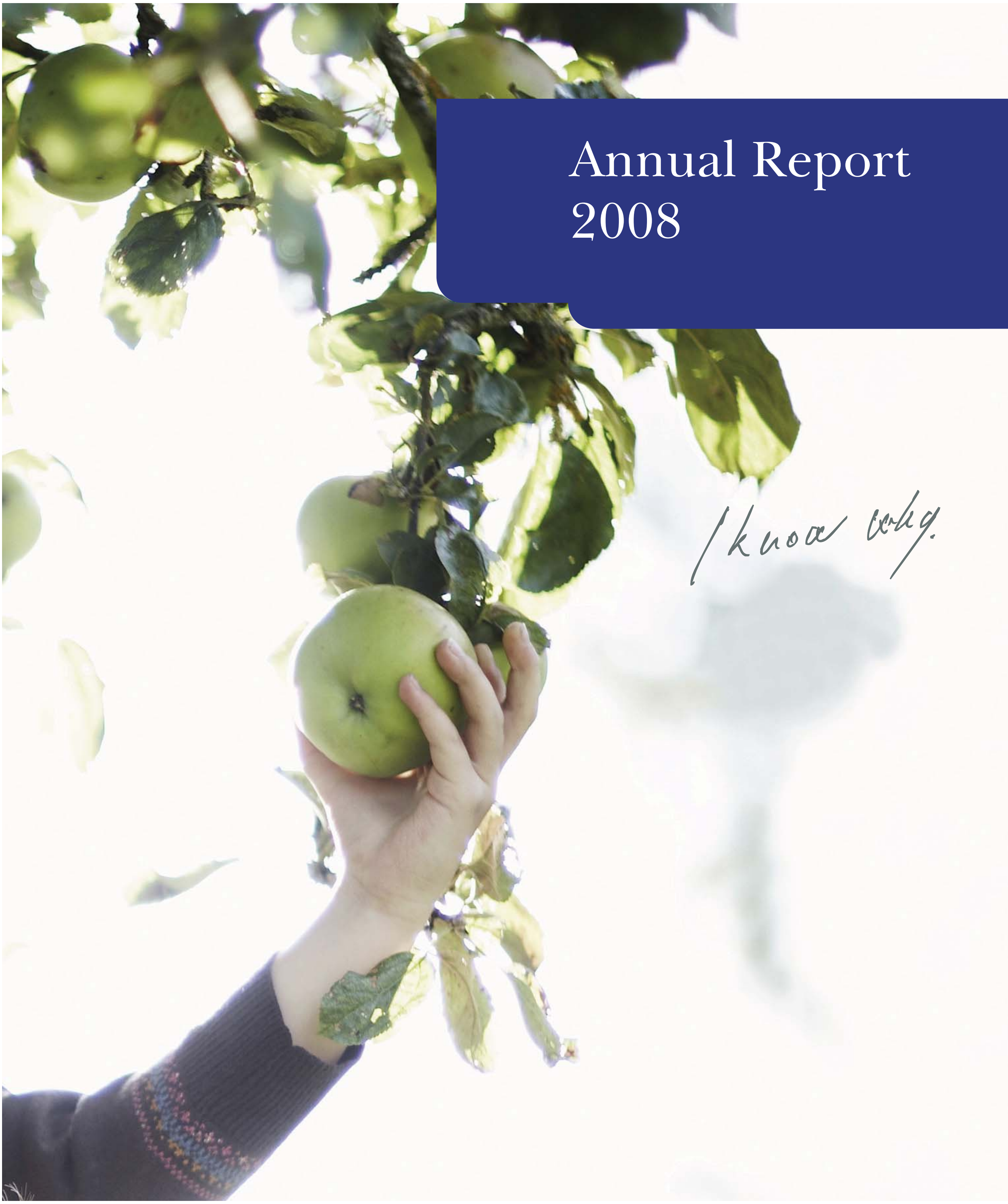
Annual Report 2008



NLB Leasing

Contents

Statement of the Management Board

The year 2008 was in the light of the negative global market situation a landmark year in recent decades. Many prominent economists estimate that this year we suffered the worst recession since the period 1929-1933. The picture of the world crisis is becoming clearer and it is a compilation of bad news. The initial financial crisis which centered around underperforming mortgages and loans in the U.S. has spread to other financial markets and banks, and thus has affected the Slovenian economy. The second wave of the crisis has hit the real economy, mainly in the construction and automotive sectors. A third wave is manifested by a risk of contributing to the global consequences of recession and deflation. In addition, taking into account the inter bank mistrust present throughout 2008, the operations of financial institutions depend to a large extent on the ability to observe these market signals and adapt accordingly.

The effect of the crisis for NLB Leasing Group and NLB Leasing, d.o.o., Ljubljana was manifested by greater difficulty in acquiring new loans, and higher rates for those loans. Other Slovenian companies encountered similar problems which meant that they found it harder to get money and consequently they reduced investment, employment, and the demand for services.

Despite the adverse market conditions in 2008, we managed to raise the group balance sheet total; compared to the year 2007, increasing the rate by 7 percent and exceeding the limit of 700 million €. Furthermore, we achieved a profit of 1.9 million € before taxes and a net profit of 1.0 million € . The level of profit is lower than in the past year, but, as we are under the influence of the financial crisis we devoted more attention to the security and stability of the business rather than to profitability.

The development of NLB Leasing Group, and NLB Leasing, d.o.o., Ljubljana in 2008 has been even more prudent in order to manage and to maintain contact with other markets in which we are present. As a proper response to events in the crisis we have built upon the success of business in recent years and have maintained the business's strategic direction. Through this we have optimised our business operations and were able to cope with the stressful conditions of the economic environment. In the middle of the year NLB Leasing, d.o.o., Ljubljana was formally merged with its sister company NLB Leasing, d.o.o., Velenje and subsidiary NLB Leasing Murska Sobota, d.o.o., and our branch office was restructured.

The significant impact of growth and development of NLB Leasing Group has coordinated the balance of assets and liabilities and also the level and stability of the group's debt. We aim to maintain the stability of recent years for the future. The parent company has increased capital which demonstrates the confidence of the owners in the management of our business.

The Group continued to invest in internal and external training of employees concentrating on marketing and other specialised skills, which qualify as the main generator of added value, and the tools to manage risks and optimize business processes. In addition to our corporate social responsibility together with all of our employees we aim to maintain a complete range of services, constantly updating them, and to provide them to the full and complete satisfaction of our business customers and business partners to achieve our future goals.

The coming period will be difficult, but we also see opportunities to achieve new successful stories with all of you, our partners and trusted clients who have followed us in our ways. We are a sufficiently flexible company, and together with the broader NLB Group - the largest Slovenian International Institution, we are currently steering successfully through the crisis. We can not afford to close our eyes to the recession which may follow the crisis and which will have a decisive influence on the work of businesses and, indirectly, all citizens. Therefore, we will in 2009, put even more effort into listening to your desires and needs and finding the optimum solution for you!

Samo Turk,
Member of the Management Board

Borut Simonič,
Chairman of the Management Board

Statement by the Chairman of the Supervisory Board

Report on Supervisory Board activities in 2008

The Supervisory Board started with the following members in 2008: Alojz Jamnik, Chairman of the Supervisory Board, Jože Gašper Filiplič, member of the Supervisory Board, Andrej Flis until 31 May 2008, and as of 1 June 2008 Marko Herzog, member of the Supervisory Board, Božo Štor – Jr., member of the Supervisory Board and Manja Kerstein, member of the Supervisory Board. The term of office of all Supervisory Board members to date expired on 30 January 2008. The General Meeting reappointed the following Supervisory Board members for a 4-year term of office at its 14th meeting on 28 January 2008: Alojz Jamnik, Manja Kerstein, Jože Gašper Filiplič, Božo Štor Jr. and Andrej Flis until 31 May 2008. As of 1 June 2008, Marko Herzog was appointed to replace Andrej Flis. The Supervisory Board elected Alojz Jamnik as Chairman of the Supervisory Board at its constituent session on 6 February 2008 and Jože Gašper Filipič was appointed as Deputy Chairman.

The Supervisory Board operates by observing well-established corporate management principles and thereby performs its supervisory duties to provide for efficiency and transparency of the NLB Leasing, d.o.o., Ljubljana operations (hereinafter referred to as: NLB Leasing).

The Supervisory Board submits this report to inform the General Meeting on the monitoring method and scope of the Company management in the 2008 business year in line with its responsibilities as stipulated by the provisions of the Companies Act and the provisions of the Contract of Members or the Memorandum of Association of the Company.

Review of activities in 2008

The Supervisory Board of NLB Leasing held 17 regular or business sessions in 2008, during which it deliberated reports on current operations elaborated by the Company Management Board and monitored the implementation of the adopted business strategy of NLB Leasing and the NLB Leasing Group as a whole.

Pursuant to provisions of the Resolution on Overdrafts in Operations for the NLB Leasing Group, the Supervisory Board held 42 correspondence sessions and business sessions and deliberated on giving its approval to business transactions and to taking out loans in NLB Leasing and the NLB Leasing Group exceeding EUR 2.300.000.

The Supervisory Board of NLB Leasing acted in line with the provisions of the Contract of Members or the Memorandum of Association of the Company and gave its consent to the Management Board proposed resolutions for the NLB Leasing General Meeting, and to set business and financial objectives of NLB Leasing and the NLB Leasing Group, the implementation of which it monitored through the Management Board reports on its performance.

The Supervisory Board also approved all capital investments and status amendments pertaining to both NLB Leasing and the Group. The Supervisory Board gave its approval to amendments to the organization of NLB Leasing, d.o.o., Ljubljana, to the setting up of two branch offices from merged companies NLB Leasing Murska Sobota, d.o.o. and NLB Leasing Velenje, d.o.o., Velenje. The latter was liquidated due to streamlining of operations.

The Supervisory Board discussed the Management Board reports on the balance of due and outstanding receivables of NLB Leasing and the NLB Leasing Group companies every quarter. The Supervisory Board passed guidelines in which it called for more intense pace of collection of due and outstanding receivables and for the establishment of additional provisions in the amount corresponding to the risk of individual investments and their repayment probability.

Due to substantially altered and difficult circumstances at financial markets and an increased need for adequate liquidity management of the Company, the Supervisory Board issued guidelines for currency, interest rate and liquidity risk management. The Supervisory Board dealt with reports on Company liquidity and monitored the implementation of adopted resolutions of ALCO (Asset/Liabilities Management Committee) on a quarterly basis.

The Supervisory Board considered the report on the Internal Audit operations and the report on implementation of the Internal Audit recommendations and approved the Internal Audit Work Plan.

The Supervisory Board of NLB Leasing gave its consent to the merger of NLB Leasing Murska Sobota, d.o.o. and NLB Leasing, d.o.o., Velenje with NLB Leasing, d.o.o., Ljubljana, and to the contents of the Merger Contract. The merger took effect on 1 July 2008. In addition, the Supervisory Board also gave its approval to the contents of the Memorandum of Association of NLB Leasing, d.o.o., Ljubljana.

In line with its powers, the Supervisory Board discussed and approved the replacement in the Management Board of Optima Leasing, d.o.o. and OL Nekretnine, d.o.o. The Supervisory Board agreed to the appointment of Ana Kralj as President of the Management Board of Optima Leasing, d.o.o., and Romana Fišer as Member of the Management Board, while Andrej Pogačnik was appointed Managing Director of OL Nekretnine, d.o.o. The consent was also given to the appointment of Dimitar Atanasov Angelov as Managing Director of NLB Leasing Sofija, EOOD. The Supervisory Board of NLB Leasing decided on the Management Board proposal for changes in the NLB Leasing Sarajevo supervisory body.

The Supervisory Board approved capital increase of companies and also adopted resolutions whereby NLB Leasing, d.o.o. Ljubljana, fulfilling the role of the General Meeting of NLB Leasing, d.o.o., Beograd companies, passed the resolution on the increase of share capital in NLB Leasing, d.o.o., Beograd. The Supervisory Board acted in accordance with the provisions of the Resolution on Overdrafts in Operations for the NLB Leasing Group and approved proposals for distributing profits or covering losses in subsidiaries.

Annual report 2008

The Supervisory Board of NLB Leasing deliberated the audited Annual Report on NLB Leasing operations in 2008 and consolidated financial statements of the NLB Leasing Group, alongside with the opinions of the auditor PricewaterhouseCoopers, d.o.o., Ljubljana. The auditor stated that the financial statements of the company and consolidated financial statements give a true and fair view of the financial position of NLB Leasing and the NLB Leasing Group as at 31 December 2008, and of profit and loss as well as of cash flows for the completed 2008 business year and comply with the Slovenian Accounting Standards. The auditor is of the opinion that the statements in the Business Report of NLB Leasing and the NLB Leasing Group are in accord with enclosed financial statements as at 31 December 2008, hence its opinion to the stated reports is unqualified.

Based on this report, the Supervisory Board approved the 2008 Annual Report and the proposal of the Management Board for distributing net profits, which it plans to submit for adoption to the General Meeting of shareholders.

The Supervisory Board if of the opinion that the NLB Leasing operations were successful in 2008 and that the Company achieved the objectives set in the Annual Work Plan and in many respects surpassed them.

Alojz Jamnik,
Chairman of the Supervisory Board

Key Financial Indicators

Table 1:
Key financial indicators in 2008 and 2007

	NLB Leasing Group		NLB Leasing Ljubljana	
in thousands EUR	**2008**	**2007**	**2008**	**2007**
Balance sheet indicators				
Balance sheet total	722,422	674,995	542,153	508,813
Equity	39,141	32,110	37,063	29,660
Debt to equity (D/E)	17.5	20.0	13.6	16.2
Profit and loss statement indicators				
Profit before tax	1,929	7,094	685	5,950
Profit after tax	1,002	5,132	377	4,636
a) major shareholders	947	5,100	-	-
b) minor shareholders	55	32	-	-
Revenue	132,962	77,244	52,881	44,354
Profitability indicators				
Return on average equity before taxes (ROE in %)	5.4	26.8	2.1	24.6
Return on average assets before taxes (ROA in %)	0.3	1.3	0.1	1.3
Other indicators				
Number of employees	137	115	77	58
Total assets per employee	5,273	5,870	7,041	8,773

Source: NLB Leasing.

1 Business Report

Presentation

The NLB Leasing Group is a part of the largest banking group in Slovenia – NLB Group, with 55 members in 18 markets representing a stable partner offering financial services. The NLB Group as at 31 December 2008 includes 12 banks, 11 leasing companies 12 companies for financing international trade (factoring, forfeiting, export financing), 5 insurance companies, a fund management company, and 15 other companies from other fields. The NLB Group is the largest Slovenian international company with 9,435 employees. The main business of NLB Group is banking and in recent years it has been developing other financial activities: leasing, factoring, forfeiting and insurance.

As at 31 December 2008 the NLB Group currently includes 3 leasing companies in Slovenia and 8 leasing companies in the south-eastern European market. The leasing segment within the NLB Group was included in planned activities of the Group in the past few years and thus included in development plans and the strategy of the NLB Group. NLB Leasing Ljubljana has been earmarked within the Group as the leader of development and coordinator of this segment. The company in Ljubljana has 7 subsidiaries, which represent part of NLB Leasing Group and 3 associated companies, with which they represent the wider group of NLB Leasing Group. The wider group has 186 employees, while the NLB Leasing Group has 137 employees.

Figure 1:
Leasing companies in NLB Group in Slovenia (January 2009)

Source: NLB Leasing.

Figure 2:
Leasing companies in NLB Group in Southeast Europe (January 2009)

Source: NLB Leasing.

NLB Leasing Group has, over the past years, continually modified and improved the newly created firms and branch offices. In recent years, the development focus has been on the south eastern markets, so the company NLB Leasing Ljubljana in this area set up 7 subsidiaries, in Belgrade, Sarajevo, Podgorica, Zagreb and Sofia. By 2008 the company had a subsidiary, also in Slovenia (Murska Sobota). On 1 July 2008, the subsidiaries of Velenje and Murska Sobota were merged with NLB Leasing Ljubljana, both were transferred to branch offices, later at the beginning of 2009 the Branch office at Celje merged with Branch office Velenje. As at 31 December 2008 the group included affiliated companies and also 6 branches in Slovenia, and 5 branches abroad.

The organizational structure of The NLB Leasing Group as at 31 December 2008 includes:

- NLB Leasing, d.o.o., Ljubljana (branch office: Ljubljana, Celje, Novo mesto, Kranj, Murska Sobota, Velenje);
- NLB Leasing, d.o.o., Beograd (branch office: Čačak, Niš, Novi Sad, Subotica);
- NLB Leasing, d.o.o., Sarajevo (branch office: Mostar);
- NLB Leasing Podgorica, d.o.o.;
- Optima Leasing, d.o.o., Zagreb;
- NLB Real Estate, d.o.o., Beograd;
- NLB Leasing Sofia, e.o.o.d.;
- OL Nekretnine, d.o.o.

The NLB Leasing Group offers leasing services to private individuals, private service sector and to sole traders. The financial and operating leasing are two main business of the Group, which also include loans with classic leasing services (in particular short-term VAT financing and project financing). Financial leasing and operating leasing rank amongst modern forms of financing, whereby their role on the financial market is becoming ever more important and ultimately demanded. Based on these two types of financing, the Group then forms its full offer of leasing services. This includes financing all types of movable property and real estate, which consequently ranks the company amongst universal leasing services providers.

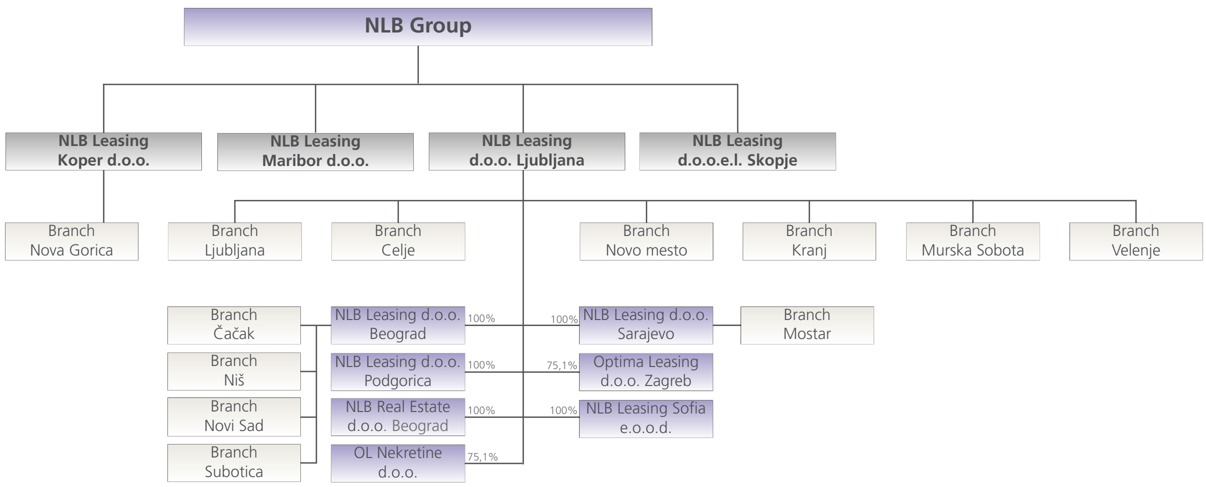
Based on financial leasing and operating leasing, the Group offers a wide range of products and thus adapts to the wishes and demands of its loyal clients. In addition to the basic forms of financing, it offers many other interesting options, such as sale&lease back leasing, investment leasing, leasing for students, leasing for pensioners and many more. The range of services on offer also includes additional quality economic and legal consulting and consulting in realising business transactions.

Rewards and recognitions

The NLB Leasing Group's excellent business record has been recognised. The NLB Leasing Group has received important marketing and business awards. The awards were received in 2008, but apply to business year 2007.

The NLB Leasing Group and its three subsidiaries has been placed in relation to yearly turnover at

Figure 3:
Organizational diagram of the leasing companies in NLB Group as at 31 December 2008



Source: NLB Leasing.

74th place in Europe. Chart Leaseurope TOP 100 is composed of the most important leasing associations (Leaseurope) in Europe, established in 1972. The Leaseurope unites national leasing associations of which the Association of leasing companies of Slovenia is a member. The members represent 93% of all of the European leasing market.

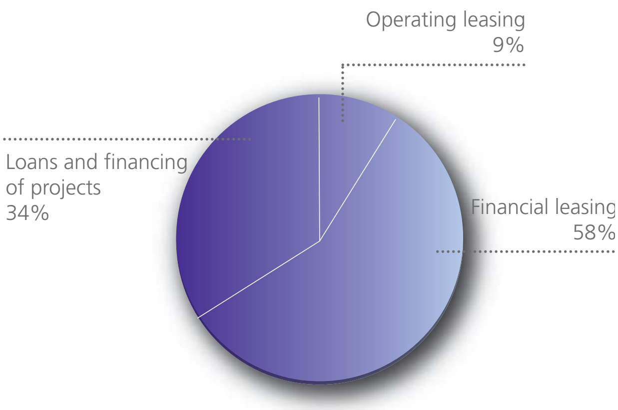
NLB Leasing Ljubljana has been placed 99th after growth of net sales in the years from 2002 to 2007 in Slovenia and the 35th in this region of central Slovenia. NLB Leasing Ljubljana has received recognition as one of the 100 fastest-growing "Gazelles" in 2008.

Optima leasing, d.o.o., Zagreb, for its operations in 2007, received the award "Prva hrvatska kuna", awarded to the best companies on the basis of newly created value, productivity and profits.

Research and development

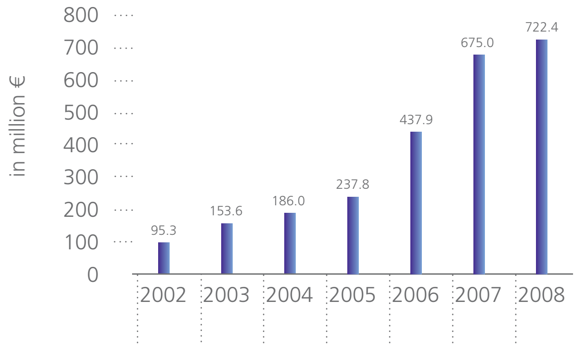
The growth and development of NLB Leasing Group has with quality customer-oriented service been marked by the experience, knowledge and expertise of employees and the continuous progress of leasing activity. These factors in 2008 constituted one of the key roles in which the group is able to maintain a satisfactory commercial-financial result. Growth in leasing activity in the second half of 2008 on the territory of Slovenia and SE Europe started to settle down to what is expected because of negative developments in international financial markets. Despite the unfavorable market conditions, the group managed to increase the total balance sheet and the total capital.

Figure 4:
Structure of leasing and loans in financed value in 2008



Source: NLB Leasing.

Figure 5:
Growth in balance sheet assets of the NLB Leasing Group



Source: NLB Leasing.

Figure 6:
Growth of balance sheet assets in NLB Leasing Ljubljana

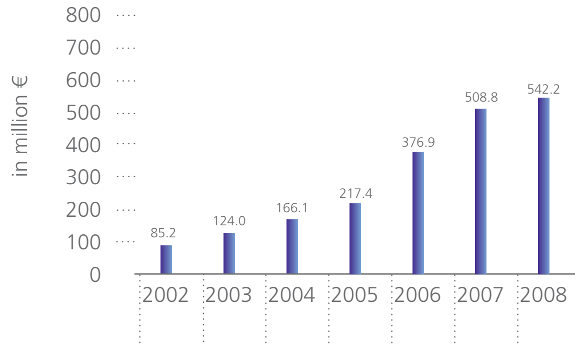
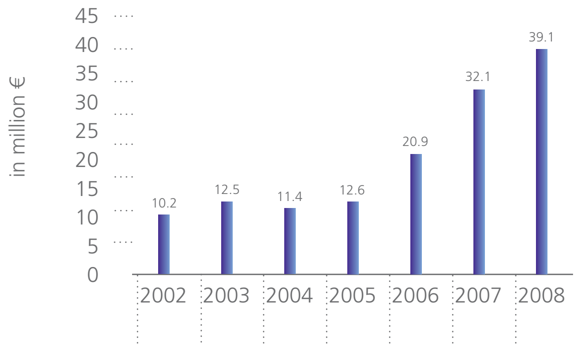
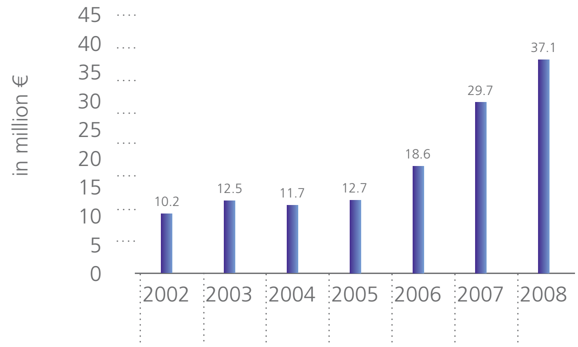


Figure 7:
Growth of capital of NLB Leasing Group



Source: NLB Leasing.

Figure 8:
Growth of capital in NLB Leasing Ljubljana



Strategy

Mission

The NLB Leasing Group's mission is to be a reliable and dependable long-term partner offering good quality of leasing services for present and future clients. With our business we want to create added value to the services and growth for the whole Group.

Values

Our business values are:
- tradition - trust - excellence;
- to support our customers;
- follow the parent bank and offer support to companies and their customers;
- ensuring our staff are proficient and professional;
- setting up new challenges;
- financial and social responsibility.

Strategic directions and goals

The unified managment of an overall image of NLB Leasing Group, ensuring an adequate market share, providing a wide multitude of quality services and support specialized experts and the responsible exercise of the objectives, the expectations of customers, owners and employees are core strategic principles which are pursued in the group. Furthermore, we strive for the long-term stable operation and safety of our investments, through its active presence in Slovenia and the countries of South Eastern Europe, we want to offer customers a global partnership and trust.

Major events

Major events in financial year 2008, the Group recorded the following events:

- closing down the branch office in Banja Luka in Bosnia (February 2008);
- capital increase of associated company NLB Leasing Sarajevo in the amount of 255,645.94 € (February 2008);
- relocation of headquarters of the branch office in Kranj into the new office at Koroška Street 21, Kranj (March 2008);
- capital increase of NLB Leasing Ljubljana in the amount of 10,904,346.31 € (May 2008);
- end of project on legal - organizational restructuring of NLB Leasing Velenje and NLB Leasing Murska Sobota; on 1 July 2008 were merged into the business unit of NLB Leasing Ljubljana (July 2008);
- opening the branch in Velenje and Murska Sobota (July 2008);
- capital increase of NLB Leasing Beograd in the amount of 1,140,000.00 € (July 2008).

Major Events after financial year 2008:

- end of business of branch office in Velenje because of merger with the branch office in Celje (January 2009);

- sale of business share of OL Nekretnine, d.o.o., to NLB Leasing Koper, d.o.o. (February 2009).

Plans for 2009

The NLB Leasing Group will follow the basic strategies, which emphasizes growth, development, rationalization and integration and finding ways to adapt the economic situations. The main stress will be to pursue the goals of liquidity, managing risk across all levels of leasing contract executions, more efficient collection of overdue unpaid claims, offer of quality services and client orientated leasing services, and maintain good organization for optimal services for gaining and optimal placement of funds.

The Group will with creative work follow market trends as well as being flexible and responsive to the business of attempting to maintain an important role in the Slovenian market and most of the remaining south eastern European markets. The Group will maintain a creative, stimulating work environment and will ensure also in 2009 a wide variety of services and support specialized experts.

In 2009, the parent company, NLB Leasing Ljubljana, is set to continue its work in the area of consolidation and development of leasing activity within the NLB Group in line with adopted guidelines.

The company has set itself goals for 2009 to increase the volume of investment funds for the whole Leasing Group, managing credit and other risks in all phases of operation (timely collection of claims). After the years of increased growth, we will focus on harmonization of the business process and training of employees for improved qualifications and expertise and motivation of employees. The employees are at all times a crucial asset of the company.

Macroeconomic Environment

Slovenia

Important events that marked 2008 were: the presence of Slovenia in the European Union, parliamentary elections, and worse macroeconomic conditions in the country, which is also a consequence of the global financial crisis. The decision to introduce the euro two years ago now appears to be justified in the light of the current market situation.

Economic growth has in comparison to 2007 decreased or halved. Noticeably investments in fixed assets export and import have decreased. In comparison to the same period in 2007 the gross investments in fixed assets have decreased for 8.5%, which meant less investments at the first half of 2008, when growth of investments was 13.3 percent. Negative economic growth in the last quarter of 2008 must contribute to the reduction of exports by 9.4%. The value of imports was reduced, so the balance of exchange with other countries has been influenced positively at a rate of 0.6% That ended a relatively positive period of eight years in public finances.

Also high inflation marked 2008. The annual level of 5.6% in December 2007 continued to climb and reached the summit in June at 7%. High inflation was the cause of high oil prices and high prices of food and raw materials on world markets. The correlation between domestic prices and prices of oil were very high. The cost of basic life necessities reduced to 2.1% in December which was in accordance with the goals of ECB price stability. The average annual rate of inflation was 5.7% - while HICP was at 5.5%.

Southeast Europe

The year 2008 was important for the association of the states of south eastern Europe to the European Union. Bosnia and Serbia ratified an agreement of stabilization for association with the European Union.

Table 2:
Movement of key macroeconomic indicators for Slovenia and EMU for the period 2005–2008 and estimate for 2009

	2005	2006	2007	2008	Estimation 2009***
Slovenia					
GDP (real growth in %)	4.3	5.9	6.8	4.1**	1.1
Average annual inflation* (in %)	2.5	2.5	3.8	5.5	1.1
Surveyed unemployment rate– ILO (in %)	6.5	6.0	4.9	4.6**	5.2
Current account of payment balance (in % GDP)	-2.0	-2.8	-4.2	-6.1**	-4.2
Public debt (in % BDP)	27.0	26.7	23.4	21.6**	
Budget deficit/surplus (in % GDP)	-1.4	-1.2	0.5	-0.1**	
EMU					
GDP (real growth in %)	1.5	2.9	2.6	1.2*	-1.0
Average annual inflation * (in %)	2.2	2.2	2.1	3.3	
The survey rate of unemployment– ILO (in %)	8.6	8.3	7.4	7.8*	
Current account of payment balance (in % GDP)	0.1	-0.2	0.2	-0.7	-0.3
Public debt (in % GDP)	70.3	68.6	66.3	-0.7*	
Budget deficit/surplus (in % GDP)	-2.5	-1.3	-0.6	-1.5	-2.8

*HICP – harmonise customer price index
**Estimate
***Some indicators are not estimated.
Source: BS, SURS, UMAR, ECB, EUROSTAT.

All countries marked high economic growths in the first half of the last year; they achieved growth from 5% to 8%. Higher levels of growth of GDP were recorded in Croatia at 3.4% and in Serbia with 8.5% growth. The published data points to a reduction of economic growth by half from the beginning of the year. Lower exports account for this. The financial crisis is evident not only in the financial sector but also in the real sectors. A lower demand from foreign countries has resulted in lower levels of industrial production, lower employment, and reduced consumption. It is estimated that the financial crisis will be reflected by lower economic growth than in 2007. Croatia has already announced, that is in recession.

High inflation followed high economic growth in the beginning of the year which caused high prices for oil and foodsstuffs on world markets. Inflation moved to above 5%. In the summer month inflation exceeded 10% (except in Croatia which recorded 8.4%). The highest inflation was in Bulgaria which was15.3%. Although inflation was reduced by 3% in all states. Bulgaria, Montenegro and Serbia still have relatively high inflation.

In addition to low salaries a high degree of unemployment has influenced the degree of poverty in these states. The highest registered level of unemployment was in Macedonia and Bosnia. An employee's avarage gross salary last year was approximately 500 € in major states in last year, Croatia being an exception at an avarage of 1,000 €.

The common feature of the economic situation in these countries is an imbalance in the trade of goods and a high account deficit, which in most countries is steadily increasing. Countries in transition are trying to obtain many foreign investors who are attracted by the privatisation of state assets, but in the situation of the current global financial crisis finding such investment is extremely difficult.

Table 3:
Movement of key macroeconomic indicators by Eastern European countries from 2005 to 2008

	Bosnia	Macedonia	Serbia	Montenegro	Bulgaria	Croatia
GDP (real growth in %)						
2008		5.0*	5.4*	8.1*	7.0*	2.8*
2007	6.8	5.9	7.1	10.3	6.2	5.6
2006	6.9	4.0	5.6	8.6	6.3	4.8
2005	3.9	4.1	6.0	4.2	6.2	4.2
Inflation (in %)						
2008	7.4	8.3	10.9	7.4	12.3	6.1
2007	1.5	2.3	6.8	4.2	8.4	2.9
2006	6.1	3.2	12.7	2.1	7.3	3.2
2005	3.8	0.5	16.5	3.4	5.0	3.3
Degree of registrated unemployment (in %)						
2008	40.4		14.7*	16.0*	6.3	13.4*
2007	42.9	34.9	18.8	19.4	6.9	15.1
2006	47.0	36.0	21.6	29.6	9.1	16.6
2005	47.3	37.3	21.8	30.3	10.7	17.9
Current account of the balance of payments (in % GDP)						
2008		-12.3*	-18.4*	-27.5*	-22.2*	-10.2*
2007	-13.1	-7.5	-17.5	-32.5	-21.8	-8.6
2006	-8.4	-0.9	-13.8	-31.1	-17.8	-7.9
2005	-18.0	-2.7	-9.7	-8.6	-12.4	-6.3
Public debt (in % BDP)						
2008		27.8	30.0*	26.8	16.1*	37.3*
2007	n.p.	33.3	31.3	32.4	21.8	39.3
2006	55.0	34.3	37.2	35.0	24.7	40.8
2005	31.7	35.9	52.0	42.7	31.3	43.7
Budget deficit/surplus (in % GDP)						
2008		1.8	-2.0*	0.7*	7.1*	-2.3*
2007	2.3*	0.6	-2.0	7.4	3.5	-2.6
2006	2.9	-0.5	-1.6	4.5	-3.0	-3.0
2005	2.4	0.2	0.9	-1.7	-4.0	-4.0

Note: Some data are still not published or estimated.
*Estimate

Source: Central banks and statistical offices for individual countries.

Business Environment of Leasing

Business environment – Slovenia

The Association of Leasing Companies in Slovenia was founded in 1993 to advance the further development of leasing activities of leasing companies. The purposes of the Association were the promotion and development of leasing as a specific economic activity, the provision of appropriate treatment and leasing arrangements within the legal system of our country and to promote cooperation among leasing companies.

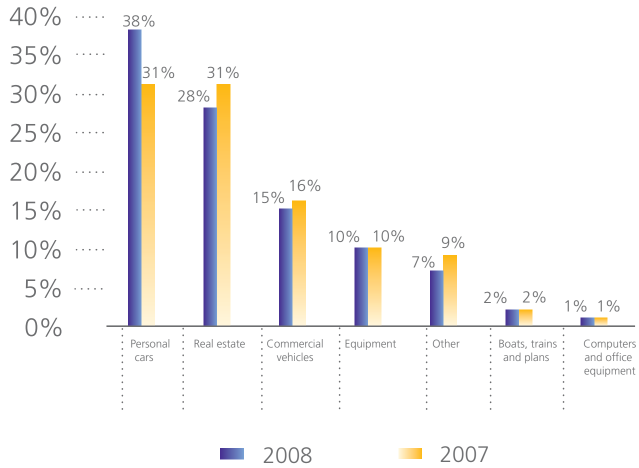
In September 2007 the central organization – the Association of Leasing Companies in Slovenia – was suspended due to the establishment for the leasing industry of the Association of Banks of Slovenia (hereinafter: ZBS). This was set up by the eight largest leasing companies: Hypo Leasing, NLB Leasing, SKB Leasing, Summit Leasing, Sparkassen Leasing, Debis AC Leasing (now Daimler AC Leasing), KBM Leasing and Leasing VBKS. Other members of the Committee are Porsche Leasing, Probanka Leasing and Unicredit Leasing.

The main reason for joining the ZBS is that the organization of professional leasing companies is also engaged in financial activities. ZBS offers its members the representation of common interests in state bodies and other institutions, to give fiscal, financial and legal advice. The Committee will in future be further organized and set up the necessary commission, which will represent their common interests. The committee will also be responsible for the publication of all statistical data pertaining to the leasing market in Slovenia.

The adverse impact of the economic situation on the business of leasing companies in 2008 has had a significant effect resulting in lower growth in leasing activities. Otherwise, a comparison of 2008 and 2007 shows that the leasing market in 2008, measured by the cost of equipment is still expanding, but less than in previous years. In the last period of 2008 the realisation of new leasing volumes, compared with the first three parts of the year greatly decreased. In the first part of the year 760.9 million € was made; in the second part of the year 811.8 million €; in the third part of the year 753.4 million € and in the fourth part of the year only 532.6 million € in new leasing volumes.

The growth of the leasing market in Slovenia in 2008 amounted to 13%, while growth was much higher in 2007 and amounted to 34%. Average growth in

Figure 9:
Structure of leasing in Slovenia in 2008 and 2007



Source: ZLPS.

the last six years, reached 25% by the year 2008. 2008 achieved the lowest growth. Compared to the year 2007 a greater volume of investment has been achieved in the leasing of cars, ships, trains and planes, commercial vehicles, manufacturing equipment and real estate. A decrease of growth has been seen in leasing of computer and office equipment and other equipment.

The largest share in the structure of the whole leasing market in Slovenia is in cars and property, followed by commercial vehicles and equipment. In 2008 the highest percentage growth was in personal vehicles, in contrast to last year but there was significantly lower growth in real estate. The highest absolute growth in leasing investment was reached in cars, which rose to 278 million €.

Considering the business activity of lessees, the Slovenian market in 2008 was dominated by the private-service sector (39%), private individuals (26%) and industry and construction (23%). Real estate is headed by the private services sector (66%), followed by industry and construction (20%). Private individuals represent only 4% of the cost of all investments in real estate.

The largest players on the market in 2008 were Hypo Leasing, Summit Leasing, SKB Group and NLB Leasing. The mentioned companies together hold down a total market share of 65.2%. Leasing services in 2008 financed 2,858.7 million Euros worth of investments on the Slovenian market, while the corresponding figure for 2007 amounted to 2,539.0 million €. Financial Leasing amounted in 2008 to 2,007.0 million € (70.2%), Operational

Table 4:
Amount of new investments (purchase and financial value) by ZBS data in 2008 (in million Euros €)

	YEARLY TURNOVER 2008					
in million Euros	**Purchase price**	**Grade**	**MS %**	**Financial value**	**Grade**	**MS %**
HYPO LEASING	1,072.9	1	**37.5%**	958.2	1	38.7%
SKB GROUP	342.4	2	**12.0%**	301.8	2	12.2%
SUMMIT	229.4	3	**8.0%**	199.0	3	8.0%
NLB LEASING	**220.1**	**4**	**7.7%**	**184.6**	**4**	**7.5%**
PORSCHE LEASING	182.4	5	**6.4%**	148.3	5	6.0%
DAIMLER AC LEASING	147.5	6	**5.2%**	128.7	6	5.2%
UNICREDIT LEASING	128.3	7	**4.5%**	98.0	9	4.0%
VBS LEASING+VBS HIŠA	123.4	8	**4.3%**	92.9	10	3.8%
KBM LEASING GROUP	120.5	9	**4.2%**	113.5	7	4.6%
SPARKASSEN/IMMORENT	119.6	10	**4.2%**	106.8	8	4.3%
FINOR	43.5	11	**1.5%**	35.7	11	1.4%
VOGO LEASING	28.2	12	**1.0%**	23.6	13	1.0%
PROBANKA LEASING	27.9	13	**1.0%**	25.7	12	1.0%
ALEASING	25.2	14	**0.9%**	21.2	14	0.9%
BKS-LEASING	21.0	15	**0.7%**	17.6	15	0.7%
MICRA T	14.8	16	**0.5%**	11.6	16	0.5%
VBKS LEASING	11.6	17	**0.4%**	9.9	17	0.4%
TOTAL	**2,858.7**		**100.0%**	**2,477.0**		**100.0%**

Source: ZBS.

Leasing 367.7 million € (12.9%), and Loans 484.1 million € (16.9%).

NLB Leasing companies operating in Slovenia (NLB Leasing Ljubljana, NLB Leasing Koper and NLB Leasing Maribor) achieved a 7.7% market share, while NLB Leasing Ljubljana held down a market share of 4.1%. The market share in Slovenia has been monitored on the basis of new contracts by purchase price. If the market share was calculated on the basis of banking (total balance sheet figure) the market share of NLB Leasing would be 12.9%, so the company would be in second place in the market.

To a great extent, the Slovenian leasing market is divided into companies or groups that are present on the market as universal leasing services providers and the so-called "captive leasing companies", i.e. companies which are organized under the ownership of vehicle distributors. This deals exclusively in personal cars and commercial vehicles leasing services. Among those achieving a high market share are Summit Leasing, Deimler AC Leasing and Porsche Leasing. The largest providers of universal services include Hypo Leasing, SKB Leasing and NLB Leasing.

Business environment – Southeastern Europe

NLB Leasing Group in the year 2008 continued the business strategy that takes into account the diversification of business in the territory of Slovenia and SE Europe; it also should deal with the problems and consequences that the global financial crisis has caused in individual markets. The specific nature of individual markets where the NLB Group is present are very diverse and dynamic, which also makes the operations of the Group flexible and market conditions specific.

In Croatia, the NLB Leasing Group - companies Optima Leasing, d.o.o., and OL Nekretnine Zagreb, d.o.o., which were established in 2007, successfully managed to address a relatively competitive market, finding room for 25 leasing companies. The most sought after leasing products in Croatia include properties, primarily in the area of Zagreb and the coastal tourist towns, which is also driven by Croatia's nearing accession to the EU. In Croatia, for leases before the year 2008, a specific agency (HANFA) has been introduced, which exercises control over the business of leasing companies. The law allows financial leases and operating leases, but not lending.

Table 5:
Market share of NLB leasing Group by individual markets in 2008

	Market share %	Grade of the company
Slovenia	7.7%	4
Serbia*	7.7%	4
Montenegro	8.6%	3
Croatia**	1.9%	10
Bosnia	7.3%	5
Bulgaria	0.2%	16

* MS on the basis of the financial leasing business, without the lease / rent
** In the calculation of MS is taken only Optima Leasing Zagreb, Nekretnine OL is not included in the calculation.
Source: Statistical data and statistical data by NLB Leasing.

In Serbia, the leasing market offers primarily the financial leasing of cars and commercial vehicles, and to a lesser extent, operating rent of vehicles, while the law does not allow the supply of leasing finance for real estate. Nevertheless, interest in financing through leasing in recent years and in the current financial crisis is still in moderate growth. On the basis of future forecasts of the economic and political situation in this market, change is not necessarily expected in the future. It is because of this uncertainty and the environment that more risk is predicted as interest rates in this market are higher than rates in the remaining south-eastern region. Statutory provisions relating to leasing companies in the territory of Serbia are very restrictive (due to loss of income from activated investments up to 30 September 2008 reserves are obligatory, which the leasing company needs to have in place when taking a loan from abroad, and this prevents concluding financial leasing deals for real estate).

The Bosnian leasing market also experienced a financial crisis and loss of liquidity and lower demand in the year 2008. The market includes financial leasing, operating leasing and loans; the largest share according to equipment type is represented by real estate and vehicles, followed by plant equipment. In 2008 Bosnia prepared for the adoption of a new Law on Leasing, which would modify the business of leasing companies. A leasing company in the future will not be permitted to take deposits and give loans and grants. Some innovations also apply to management companies and authorities and to the auditing and monitoring of risk management. The Act was adopted at the beginning of 2009.

Montenegro has undergone huge change in the last few years on the back of foreign investments andassistance, a trend that is evident particularly in the property market and stock market. As a result, demand for property financing through leasing activities has also risen. In 2008, the leasing market accounted for the largest share of real estate investments, with personal cars in second place, followed by commercial vehicles.

The Bulgarian leasing market did not experience a reduction of growth due to the effects of financial crisis until the end of 2008, when the economy started to face liquidity problems, and lower demand and supply. In 2009 a decrease is expected in the Bulgarian market, largely on smaller investments from other European markets and their investors, who in 2009 do not expect better conditions than in 2008.

The NLB Leasing Group is thus present in 5 countries in addition to Slovenia, with its sister company in Skopje also covering the Macedonian market. The market shares held by the Group on individual markets is shown in table 5.

Leasing market of the European Union

Expectations for 2009 in EU countries continue to be vague, which is ascribable to macroeconomic conditions, with an emphasis on financial markets, where a significant degree of uncertainty still looms. According to the latest research, the European leasing market in 2008 generally underwent a cooling period, which still presents a major source for new business investments. The market share is estimated at 780 million €, growth of the market to the compared to 2007 4.5%.

According to Leaseurope in 2008 a fall in the volume of new investments made was detected in an amount of 5% to 8%. The volume of new investments was reduced mainly in the second half of 2008, when the financial crisis started to transfer to the real sector of the economy, although growth in the individual markets is still present.

We can continue to expect a very similar spread of leasing services by type of equipment as in previous years. This means leasing investments in real estate, personal and commercial vehicles, and plant equipment are set-to remain at the forefront.

Review of Operations

The financial year constantly required adjustment of the policy to changes on financial markets, where the group managed to maintain its position of universal leasing provider. Changed circumstances are reflected in particular in the strict terms of the available liquidity and maturities, in the continuous increase of interbank interest rates and interest margins. In 2008, we introduced a complete renovation and standardization of products, especially in the field of financing real estate and boats. The achievement of business volume and movement optimisation required some adjustments and automation of internal processes and the introduction of innovations in the risk management, conduct relations with the agency network and the automation of monitoring operations. NLB Leasing Ljubljana has built a system and network connection with NLB Group and NLB Leasing Group at home and abroad.

The above conditions led to this landmark year in which a lower volume of realization of investments has been made by comparison to the previous year. The scope of new leasing made by NLB Leasing Group has decreased by 29% in relation to 2007. Average annual growth of new volume of investment between 2002 and 2008 amounted to 37%. For NLB Leasing Ljubljana, the average growth over the past seven years, reached 35% in 2008, mobilizing 30% less new investment than in 2007.

The Group structure of new leasing volume in 2008 and 2007 can be compared in Figure 12. In relation to 2007, the largest change can be seen in real estate, while the structure in other types of category remained relatively stable. The largest rise is evident in the category: "Other", in which the major contribution was made by OL Nekretnine Zagreb, which deals with the financing of real estate projects. As a part of real estate financed through loans, and because it is covered in the item "Other", it consequently reduced the percentage of real estate financed in total. With a somewhat lower proportion of leasing of commercial vehicles and production equipment, we replaced that group with somewhat less well known category of equipment that has been leased in recent years such as ships, trains, and planes.

Market conditions have slightly changed the structure of new leasing volume of NLB Leasing Ljubljana. In 2008, the financing of real estate was offset by financing cars, some loss of funding of production equipment but with the financing of commercial vehicles.

Figure 10:
New leasing volume of NLB Leasing Group between 2002–2008

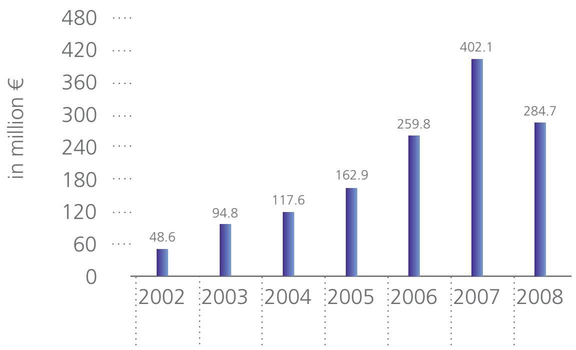
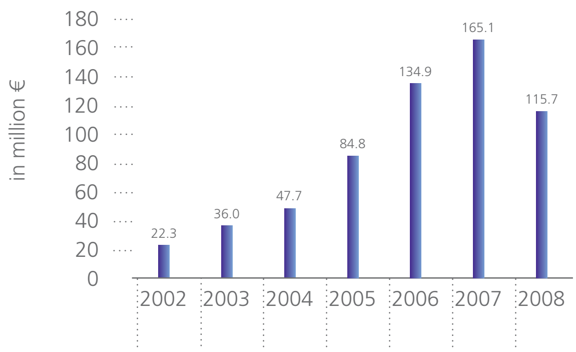
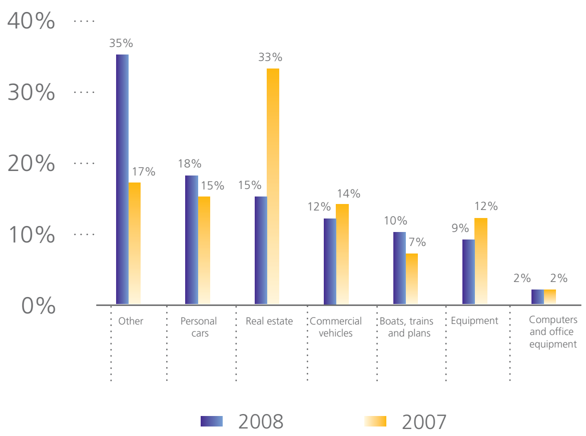


Figure 11:
New leasing volume of NLB Leasing Ljubljana between 2002–2008



Source: NLB Leasing.

Figure 12:
Structure of new leasing contracts by the NLB Leasing Group in 2008 and 2007



Source: NLB Leasing.

Figure 13:
Structure of new leasing contracts by NLB Leasing Ljubljana in 2008 and 2007

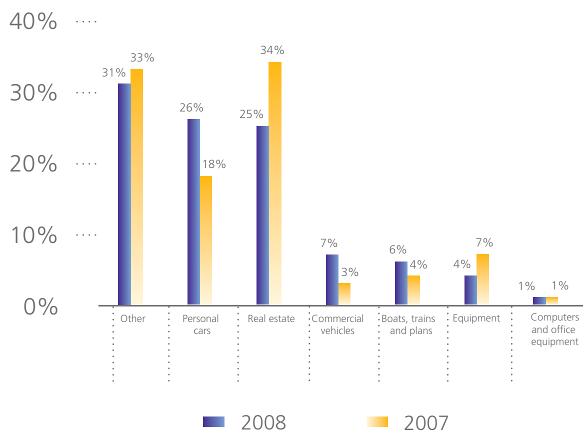


Table 6:
Structure of new leasing volumes in NLB Leasing Group (in million € in %)

	2008		2007		2008/2007
	mio €	%	mio €	%	Index
Personal cars	50.5	18	60.5	15	83
Commercial vehicles	33.5	12	58.2	14	58
Computers, office equipment	5.7	2	6.9	2	83
Equipment	25.3	9	47.7	12	53
Real estate	41.8	15	131.4	33	32
Boats, trains, planes	29.5	10	29.1	7	101
Other	98.5	35	68.4	17	144
TOTAL	284.7	100	402.1	100	71

Source: NLB Leasing.

In 2008, the NLB Leasing Group concluded 284.7 million EUR worth of new leasing volumes, which is 29 per cent less than the previous year. In relation to 2007, the largest decrease was in real estates, equipment and commercial vehicles. Segments saw a rise in leasing volumes with regard to 2007 in boats, trains, and planes and significant growth in "Other" (includes project financing with loans and short term financing of VAT).

The largest absolute decrease in leasing volume compared to 2007 was achieved in the real estate segment, as its decrease amounted to 89,6 million EUR, while the commercial vehicles segment decreased by 24.6 million EUR. The total leasing volume in 2008 decreased to 2008 by 117.4 million EUR.

The scope of new leasing volumes in 2008 can be divided into those realized in Slovenia, and those realized in the South East region. The Slovene market has 41% of all new leasing volumes, and the South East region 59% of all new leasing volumes of NLB Leasing Group. In 2008 the performance of foreign companies increased. They contributed 52% of total new leasing volumes in 2007. The companies in foreign markets mostly managed to retain their market position and have at the same time increased their market presence and awareness through marketing activities.

Table 7:
Duration of investment and average value of contract

	2008	2007	2006
Duration of investment (month)	46	66	74
Average value of contract (thousand €)	65.5	64.1	43.2

Source: NLB Leasing.

Table 8:
New leasing volume in NLB Leasing Group in 2008 (mio. €)

	OSV	KOV	RAO	POP	NPR	LVL	OST	Total
Ljubljana	30.6	8.3	1.0	5.1	28.6	6.4	35.6	115.7
Beograd	3.0	18.5	0.6	10.9	0.0	3.1	0.4	36.5
Sarajevo	0.8	0.2	0.2	3.1	2.0	0.2	20.0	26.5
Podgorica	6.8	3.0	0.0	2.7	3.0	0.2	0.0	15.6
Zagreb	8.0	1.2	3.2	2.9	8.2	16.5	1.8	41.8
Real Estate Beograd	0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.6
Sofija	0.9	2.1	0.7	0.5	0.0	3.2	1.0	8.4
OL Nekretnine	0.0	0.0	0.0	0.0	0.0	0.0	39.7	39.7
NLB Leasing Group	50.5	33.5	5.7	25.3	41.8	29.5	98.5	284.7

Legend: OSV – personal cars; KOV – commercial vehicles; RAO – computers, office equipment; POP – equipment; NPR – real estate; LVL – ships, trains, plains; OST – other
Source: NLB Leasing.

Financial results of the NLB Leasing Group in 2008

The financial results in 2008 are not as successful as in 2007, which is a consequence of the financial crisis, which is reflected in liquidity problems and changed conditions in gaining new financial sources. In 2008 the results of NLB Leasing Group compared to 2007 have fallen due to the financial crisis and these most reflect the liquidity problems, and the amended terms of borrowing from new financial resources. They have dramatically worsened in relation to the previous year. Consequently, the team has fallen behind the planned business and financial objectives, which were planned for 2008, as was consistent with the expected deterioration of the situation in the economy, for the creation of additional reserves in order to further enhance the security of the business.

Financial results of the NLB Leasing Ljubljana in 2008

In 2008, NLB Leasing Group and its controlling company NLB Leasing Ljubljana, despite bad market conditions increased the volume of total assets and total revenue. Total assets of the Group at end of the year was 722 million €. The Group paid particular attention to managing costs and achievement of profitability to the security and stability operations. Therefore, over the whole year 2008 it managed a very conservative provisioning policy, in which the volume in 2008 grew faster than the volume of business.

Table 9:
Realized business parameters of the NLB Leasing Group in 2008 and 2007

	2008	2007
New leasing volume in mio €	284.7	402.1
Average leasing duration (in years)	3.8	5.5
Debt to equity (D/E)	17.5	20.0
ROE % (before taxes)	5.4	26.8
ROA % (before taxes)	0.3	1.3
Profit after tax - major in 000 €	947	5,100
Total revenues in 000 €	132,962	77,243

Source: NLB Leasing.

Table 10:
Realised bussines parameters of the NLB Leasing Ljubljana in 2008 and 2007

	2008	2007
New leasing volume in million €	115.7	165.1
Average leasing duration (in years)	4.0	5.0
Debt to equity (D/E)	13.6	16.2
ROE % (before taxes)	2.1	24.6
ROA % (before taxes)	0.1	1.3
Profit after tax in 000 €	377	4,636
Total revenues in 000 €	52,881	44,354

Source: NLB Leasing.

Risk Management

Credit risk

Leasing distinguishes itself from other forms of financing in that the lessor has a guarantee for repayment of its investment in the leased asset.

The Group is exposed to credit risk in its portfolio, through the risk of losses accrued by each of its lessees' inability to fulfill their obligations from their leasing contracts.

Management of credit risk requires special attention in the current economic and financial situation.In addition to that stated hereinabove, the Group also applies certain other security measures in its operations (in concluding contracts). These include the following:

- request for adequate participation on behalf of the lessee;
- adapting the period of lease to individual features of the subject of the lease;
- buyers are requested to submit additional instruments and/or forms of security (bills of exchange, surety, approaches to credit, mortgage insurance, pledging movable assets);
- consistent recovery, which considers characteristics and eventual particularities of respective contracts.

When monitoring its operations, the Group constantly strives to improve its credit risk management in approving investments and reduce the share of outstanding receivables.

Impairment of receivables is the Group formed in accordance with IFRS in relation to the risk of each transaction and the existence of evidence of impairment. At the level of impairment significantly affect the insurance in the form of ownership of the leasing and other objects, i.e. additional collateral obtained.

Managing non-credit risks

In 2008 The Group monitored and managed non credit risks with greater attention, because this year we had adopted the policy of management of liquidity, interest rate and currency risk. The Group on the basis of guidelines and recommendations developed policies that provide for monitoring and management of risks.

Interest risk

NLB Leasing Group monitors the exposure to interest rate risk using interest rate spreads.

The Group regularly monitors the movement of the European inter-bank reference rate (Euribor), which shows an increase in the reference interest rates to mid October, then a significant drop, while the premiums increase significantly.

The Group has a major part of its investment and loans from banks with a variable interest rate, composed of the Euribor interest rate for the six-month deposits and interest margin. The Group placed on the market less investment with a fixed interest rate. The Group consistently neutralises its interest exposure by using derivatives by NLB, d.d.

Currency and foreign exchange risk

The NLB Leasing Group regularly measure currency and foreign exchange risks. The share of assets in foreign currency is low; most of the new investments are in EUR currency. In 2008 amendments to leasing contracts and loan agreements concluded in order to neutralise foreign exchange exposure. The entire group regularly carries out ongoing internal processes for measuring and determining the foreign exchange risk.

Operational risk

Irrespective of the above mentioned measures and procedures, Group operations are constantly subject to other risks which are defined as operating risks. These are risks originating based on deficiencies or errors in operation of internal processes, systems and people or due to external events.

December 2007 saw NLB Leasing Ljubljana adopt an Operating Risk Management Policy, which acts as a basis for establishing, monitoring and eliminating such risks. This policy was adopted by subsidiaries in the first half of 2008.

Source of financing and cash flow

The Slovenian banking leasing market has been subject to an extremely favorable macroeconomic environment in the last few years, conditions which offered leasing companies excellent opportunities for above average levels of growth. However, conditions on international financial markets took a sharp turn in the last year. The Group increased the scope of managing liquidity risks and monitoring cash flows. The financial crises was reflected by less financial sources at banks, shorter loans, and higher banking fees. NLB Leasing Group replied to the financial crisis by taking more loan sources from banks in the NLB Group and carrying out smaller commercial activities. The consequence of the financial crisis is increasing short- term loans in the structure of the Group.

In 2008 NLB Leasing Ljubljana increased its capital amount for 10,904,346.31 €.

Information Technology

In 2008, the largest challenge in the field of IT was the acquisition of two companies. We have acquired a sister company from Velenje, and subsidiary in Murska Sobota. The field of IT has had a leading role. The acquisition was achieved as planned, smoothly and successfully. This in large part is attributable to the merits of our external partner, which provided technical assistance.

The extensive and complex systems are always improving and there are always new ideas. This also applies to our documenting system, introduced in 2007 which in 2008 reached a new milestone. In addition to the basic processes of accounts, monitoring incoming mail archiving and leasing contracts with all the associated documents, we also cover certification of decisions on funding, monitoring of construction projects, preservation of general contracts, and more. In addition to supporting this process, we have resolved the safe preservation of all important documents, which are now available at all times (subject to the applicable safety schemes). The system has been developed on an extent that has enabled us to transfer it to another company within our Group.

Operations, had a side role in 2008 finishing in 2009 to start to search for new software for the entire group. There has been an initial process of obtaining and evaluating bids, we have three candidates; the proposed solution to be chosen will be reviewed and analyzed in 2009.

In 2008 we arranged a “safe distance” approach in Ljubljana; in 2009 we expanded to other groups of companies. This list of activities in 2008 is far from complete. We have started several projects which are expected to be completed in 2009 or 2010. Among them should be mentioned the project for the monitoring and management of financial risks (liquidity, interest rates and foreign currency).

In accordance with the conditions in the financial markets and the need for more active and improved quality of monitoring of those risks we have, in the second half of the year, started the development of a system based on Internet technologies. The system is designed to uniformly cover the whole group. Application will be in individual units and also at the central level for the whole group. With the help of external actors and by the end of 2008 we had already approved the prototype, which will be completed and implemented in practice in the second quarter of 2009.

Corporate Governance

NLB Leasing Ljubljana is exercising corporate governance in NLB Leasing Group based on fundamental mechanisms of corporate governance and based on mechanisms that ensure effective corporate governance.

The most important mechanism in this field belongs to the area of risk management which conducts and controls various types of risks (credit and noncredit). In addition, a controlling company defines roles or responsibilities of various bodies and other organizational units and ensures their unique performance towards a goal of meeting business objectives and harmonized presence on all markets. Along with that, the controlling company ensures the performance of other areas in other companies to be without interruptions and disturbance mainly through the control of correct financial reporting, which is essential for undisturbed formation of financial statements on the group level.

The system of corporate governance in NLB Leasing Group is also defined with the following mechanisms:

- with the methods of harmonization and standardization;
- with requests of strategic conferences (where all Leasing companies in the group are present);
- with requests of regional directors' colleges and colleges of directors of leasing companies in NLB Group.

The corporate governance is exercised in accordance with fundamental principles of the Management Risk Policy of NLB Group, which entirely governs management and supervision of the whole group.

In line with general corporative regulations, through members of NLB Leasing Group:

- with voting rights at NLB Leasing Group assembly;
- with voting rights at NLB Leasing Group Supervisory Board;
- with appointments of members of the NLB Leasing Management Board.

Human resource management

As at 31 December 2008, the NLB leasing Group accounted for 137 employees, while the figure in 31 December 2007 was 115 employees. The growth is the result of the expansion of the NLB

Table 11:
Number of employees by company in the NLB Leasing Group in 2008 and 2007

Company	31.12.2008	31.12.2007
NLB Leasing, d. o. o., Ljubljana	77	58
NLB Leasing Murska Sobota, d. o. o.*	0	8
NLB Leasing, d. o. o., Beograd	21	20
NLB Leasing, d. o. o., Sarajevo	11	9
NLB Leasing Podgorica, d. o. o.	7	6
Optima Leasing, d. o. o., Zagreb	12	9
NLB Real Estate, d. o. o., Beograd	1	1
NLB Leasing Sofia, e. o. o. d.	6	4
OL Nekretnine, d. o. o.	2	0
NLB Leasing Group	137	115

*In 2008, The Murska Sobota has merged to NLB Leasing Ljubljana.

Source: NLB Leasing.

Leasing Group, especially from the merger of NLB Leasing Velenje with NLB Leasing Ljubljana.

Employees are stimulated towards innovation, dynamics, friendliness and performance. Orientation is generated in The NLB Leasing Group based on education, training and motivation of employees. Group employees represent one of the key roles in achieving excellent financial results. The NLB Leasing Group organised many proffesional training seminars and social events in 2008, thus stimulating team work amongst employees and creating a positive working enivroment. Employees with the NLB Leasing Group also took part in many external seminars in 2008, organized across various fields of expertise, which further improved their knowledge and expertise.

Internal audit

Internal audit of NLB Leasing Ljubljana operates in accordance with international standards of Professional conduct in internal auditing, the Code of Professional Ethics of Internal Auditors and the Code of the principles of internal auditing. As an independent, objective, expert and advisory function it evaluates control systems, operational, and other key risk management and business. The main function of internal audit is to provide an impartial assessment of the administration and the assurance of the effectiveness of risk management. The service carries out the function for the entire group NLB Leasing. The operation of the service defined in the Charter of the functioning of internal audit work on the instructions is consistent with the Manual for the work of internal auditors of the Center's internal audit NLB. Planning of the audits is based on analysis of the embedded and control risks that are present within NLB Leasing. Audit reviews are most important to the system of internal controls and risk management, made in accordance with the model of COSO (The Committee of Sponsoring Organization of the Treadway Commission).

Internal audit regularly reports to the Management Board and the Supervisory Council of NLB Leasing Ljubljana Center, and internal audit NLB. The internal audit department is responsible for coordinating the implementation of external audit, monitoring of implementation of recommendations of internal audits of departments and the external auditor. In 2008, internal audit did four regular and one extraordinary review.

Corporate social responsibility

Environmental protection

In 2008 the NLB Leasing Group followed legislation in the field of occupational safety and health, protection against fire and environmental protection. Training of employees in this field conducted in accordance with the guidelines of the NLB Leasing Group and organized at least once in the current financial period.

Part of social responsibility is the promotion of environmental and fire awareness among employees and business partners.

Research and development

The continuing economic fluctuations are a good reason for NLB Leasing Group to keep the production of internal marketing research, enabling the firm to make better and higher quality decisions in the future. Market research is based on statistics and research in the Slovenian, South-East European, and the entire European leasing market. As the market introduces innovations in the leasing markets through market research and the development of IT-technology we constantly update the existing system and structure, while still striving for more efficient operations and cost effectiveness.

Sponsorships and donations

NLB Leasing Group provides sponsorships and donations in its social role and is a commited community supporter. With careful selection of projects it is actively involved in sports, cultural and humanitarian events.

The NLB Group sponsored sports assocations and events: General Sponsor NLB League, exclusively, we sponsor the ski club reporter, Dance Club Kranj, NK Maribor, Hockey Club Maribor, Volleyball Club Olimpija, Sports Journalist Association, Canoe Club Ljubljana, Balinarski Club Maribor and female basketball club, "JOLLY JBS" in Zagreb.

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In the area of culture we were involved in Maribor with our sister company in four concerts: Valentine's Day, Womens' Day, "Piše se leto" event, and the Christmas concert. We also support the Zavod O Škofja Loka Institute, and the International Club Collectors of Contemporary Art.

In 2008 The NLB Leasing Group donated to the following organizations and institutions: City of Ljubljana, SBM - General Hospital Maribor, ŽTK - railway tennis club (for the development of young tennis players), SD Primorac - Branik (the development of young basketball players), Institute for the Prevention and early detection of breast cancer, Silva Fund, Lions Club Obala Koper, Slovenia Unicef, Rotary Club Zagorje Krim and the Red Cross and Neuromuscular Disorder Association Slovenia.

2 Financial Report

Financial Report NLB Leasing, d.o.o., Ljubljana

In accordance with Slovenian Accounting Standards

Contents

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers d.o.o.
Cesta v Kleče 15,
SI-1000 Ljubljana, Slovenia
Telephone: 01 5836 000
Facsimile: 01 5836 099
Matriculation No.: 5717159
VAT No.: SI35498161

Independent auditor's report

To the shareholders of NLB Leasing d.o.o. Ljubljana

Report on Financial Statements

We have audited the accompanying financial statements of **NLB Leasing d.o.o. Ljubljana** which comprise the balance sheet as of 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Slovenian Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The company is registered by District court in Ljubljana under the number 12156800 as well in to the register of the Auditing companies by Slovene Audit Institute under the number RD-A-014. The amount of the registered share capital is EUR 34.820. The list of employed auditors is available at the registered office of the company.

PRICEWATERHOUSECOOPERS

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the **NLB Leasing d.o.o. Ljubljana** as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with Slovenian Accounting Standards.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the Management Report as required by the Slovene Corporation Act.

We are required to read the Management Report and to express an opinion whether the Management Report is consistent with the financial statements of the **NLB Leasing d.o.o. Ljubljana**.

In our opinion, the Management Report is consistent with the accompanying financial statements of the **NLB Leasing d.o.o. Ljubljana** as of 31 December 2008.

Ljubljana, 4 May, 2009

PricewaterhouseCoopers d.o.o.

Mojca Vrečar
Certified Auditor

Francois Mattelaer
Partner

"Translation note: This version of our report is a translation from the original, which was prepared in Slovene language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation. This translation is provided for reference purposes only and is not to be signed."

Balance Sheet

In thousand EUR	N	31.12.2008	31.12.2007
Assets		**542,153**	**508,813**
A) Long term assets		**382,107**	**382,919**
I. Intangible assets and long-term deferred cost and accrued revenues		**87**	**135**
1. Long-term property rights	3.1.1	87	135
II. Property, plant and equipment	**3.1.2**	**15,834**	**20,369**
1. Land and buildings		5,133	5,229
a) land		1,030	1,030
b) buildings		4,103	4,199
2. Other plant and equipment		10,672	15,140
3. Property, plant and equipment being acquired		29	-
a) prepayments for property, plant and equipment		29	-
III. Investment property	**3.1.3**	**6,758**	**4,143**
IV. Long-term financial investments	**3.1.4**	**358,114**	**357,891**
1. Long-term financial investments, except loans		8,946	9,581
a) capital investments - subsidiaries		8,908	9,318
b) other long-term financial investments		38	263
2. Long-term loans and receivables from financial lease		349,168	348,310
a) long-term loans to Group companies		175,195	193,909
b) long-term loans to others		22,452	22,946
c) long-term receivables from financial lease to Group companies		1,360	1,518
d) long-term receivables from financial lease to others		150,161	129,937
V. Long-term operating receivables	**3.1.5**	**7**	**7**
1. Long-term operating receivables to others		7	7
VI. Deferred tax asset	**3.1.6**	**1,307**	**374**
B) Current assets		**159,876**	**123,557**
I. Assets (disposal group) held for sale	**3.1.7**	**5.743**	**988**
II. Inventories	**3.1.8**	**7,292**	**5,870**
1. Work in progress		4,314	4,262
2. Products and merchandise		2,978	1,608
III. Short-term financial investments	**3.1.9**	**139,464**	**97,131**
1. Short-term loans and receivables from financial lease		139,464	97,131
a) short-term loans to Group companies		15,661	7,364
b) short-term loans to others		72,283	52,298
c) short-term receivables from financial lease		51,520	37,469
IV. Short-term operating receivables	**3.1.10**	**5,612**	**7,605**
1. Short-term operating receivables due from Group companies		144	126
2. Short-term operating receivables		1,975	3,546
3. Short-term receivables due from others		3,493	3,933
V. Cash	**3.1.11**	**1,765**	**11,963**
C) Short-term deferred costs and accrued revenues	**3.1.12**	**170**	**2,337**
D) Off-balance sheet assets	**3.3**	**97,762**	**36,380**

The notes on pages 51-75 form a component part of these financial statements.

In thousand EUR		N	31.12.2008	31.12.2007
Equity and liabilities			**542,153**	**508,813**
A)	**Equity**		**37,063**	**29,660**
I.	**Called-up capital**		**20,981**	**10,077**
1.	Share capital		20,981	10,077
II.	**Capital surplus (share premium)**		**7,268**	**6,742**
III.	**Revenue reserves**		**3,323**	**3,323**
1.	Legal reserves		431	431
2.	Other revenue reserves		2,892	2,892
IV.	**Revaluation surplus**		**2**	**2**
V.	**Retained earnings**		**5,112**	**5,112**
VI.	**Net profit or loss for the period**		**377**	**4,404**
B)	**Provision and long-term accrued costs and deferred revenues**		**1,591**	**2,164**
1.	Provision for employees- pension plans	3.2.1	106	111
2.	Long- term accrued costs and deferred revenues	3.2.2	1,485	2.053
C)	**Long-term liabilities**		**239,234**	**253,961**
I.	**Long-term financial liabilities**	**3.2.3**	**239,234**	**253,961**
1.	Long-term financial liabilities to Group		13,367	15,852
2.	Long-term financial liabilities to banks		225,364	238,109
3.	Other long-term financial liabilities		503	-
D)	**Short-term liabilities**		**264,126**	**222,965**
I.	**Short-term financial liabilities**	**3.2.4**	**259,778**	**213,561**
1.	Short-term financial liabilities to Group		123,139	38,354
2.	Short-term financial liabilities to banks		136,639	175,207
III.	**Short-term operating liabilities**	**3.2.5**	**4,348**	**9,404**
1.	Short-term operating liabilities to Group		4	11
2.	Short-term operating liabilities to suppliers		1,013	5,196
3.	Short-term operating liabilities - advances		1,983	2,718
4.	Other short-term operating liabilities		1,348	1,479
E)	**Short-term accrued costs and deferred revenues**	**3.2.6**	**139**	**63**
F)	**Off balance sheet liabilities**	**3.3**	**97,762**	**36,380**

The notes on pages 51-75 form a component part of these financial statements.

Income Statement

In thousand EUR	N	2008	2007
1. Net sales revenues	**4.1**	**6,377**	**7,305**
a) intercompany sales		142	239
b) revenues from operating lease and investment property		3,469	2,635
c) other net revenues from sales of services		2,766	4,431
2. Changes in value of inventory products and unfinished production	**4.2**	**78**	**3,941**
3. Other operating revenues (with revaluation operating revenues)	**4.3**	**1,436**	**135**
a) net gains on disposal of property, plant and equipment		220	71
b) reversal of allowances from bad debts from previous periods		1,216	64
4. Costs of goods, materials and services	**4.4**	**(3,809)**	**(9,380)**
a) costs of material used and goods sold		(1,298)	(6,162)
b) costs of services		(2,511)	(3,218)
5. Labour costs	**4.5**	**(3,233)**	**(2,515)**
a) payroll costs		(2,194)	(1,674)
b) social and security costs		(390)	(299)
c) other labour costs		(649)	(542)
6. Write-downs in value	**4.6**	**(6,196)**	**(3,581)**
a) amortization and depreciation expenses		(2,690)	(1,853)
b) revaluation operating expenses associated with intangible and tangible fixed assets - loss		(778)	(509)
c) revaluation operating expenses associated with operating current assets		(2,728)	(1,219)
7. Other operating expenses	**4.7**	**(676)**	**(563)**
8. Financial revenues from shares and interests	**4.8**	**1,467**	**1,694**
a) financial revenues from interest in Group companies		1,140	1,071
b) financial revenues from other investments		327	623
9. Financial revenues from loans and financial lease	**4.9**	**43,210**	**31,252**
a) financial revenues from loans in Group companies		15,255	10,242
b) financial revenues from loans in others		6,215	4,001
c) financial revenues from financial lease in Group companies		67	124
d) financial revenues from financial lease		20,842	16,120
e) financial revenues from impairment reversal		831	765
10. Financial expenses from impairment and write-offs from financial investments	**4.10**	**(4,677)**	**(888)**
11. Financial expenses from financial liabilities	**4.11**	**(32,495)**	**(20,469)**
a) financial expenses from loans received from Group		(7,358)	(2,944)
b) financial expenses from loans received from banks		(24,536)	(17,290)
c) financial expenses from other financial liabilities		(601)	(235)
12. Financial expenses from operating payables	**4.12**	**(949)**	**(965)**
a) financial expenses from liabilities - suppliers		(946)	(526)
b) financial expenses from other operating liabilities		(3)	(439)
13. Other revenues	**4.13**	**313**	**27**
14. Other expenses	**4.14**	**(161)**	**(43)**
15. Income tax	**4.16**	**(1,026)**	**(1,330)**
16. Deferred tax	**4.16**	**718**	**16**
17. Net profit or loss for the period	**4.15**	**377**	**4,636**

The notes on pages 51-75 form a component part of these financial statements.

Cash Flow Statement

In thousand EUR		2008	2007
	Cash flow statement according to format II. (indirect method)		
A)	**Cash flow from operating activities**		
a)	**Items of income statement**		
	Operating revenues (except from revaluation) and financial revenue from operating receivables	6,746	11,979
	Operating expenses excluding amort. (except for reval.) and financial expenses from operating liabilities	(7,796)	(14,240)
	Income tax and other taxes, not included in operating expenses	(1,832)	(664)
		(2,882)	**(2,925)**
b)	**Changes of net current assets in balance sheet items (including accruals, provision, deferred receivables and tax liabilities)**		
	Opening less closing operating receivables	4,160	(3,490)
	Opening less closing deferred costs and accrued revenues	850	(1,889)
	Opening less closing deferred tax assets	-	(17)
	Opening less closing assets (disposal group) held for sale	224	(902)
	Opening less closing inventories	(1,353)	(5,292)
	Closing less opening operating liabilities	(3,272)	3,182
	Closing less opening accrued cost and deferred revenues and provision	(615)	2,072
	Closing less opening deferred tax liabilities	-	-
		(6)	**(6,336)**
c)	**Cash proceeds from operations or cash disbursement from operations (a+b)**	**(2,888)**	**(9,261)**
b)	**Cash flow from investing activities**		
a)	**Cash receipt from investing activities**		
	Interest and dividends received from investing activities	33,471	25,869
	Cash receipts from disposal of intangible assets	-	-
	Cash receipts from disposal of property, plant and equipment	2,605	2,772
	Cash receipts from disposal of investment immovable properties	150	-
	Cash receipts from disposal of long-term investments	104,226	101,491
	Cash receipts from disposal of short-term investments	55,492	22,517
		195,944	**152,649**
b)	**Cash disbursement from investment activities**		
	Cash disbursement to acquire intangible assets	(17)	(42)
	Cash disbursement to acquire property, plant and equipment	(4,995)	(17,915)
	Cash disbursement to acquire investment immovable properties	(370)	(3,705)
	Cash disbursement to acquire long-term investments	(94,255)	(184,958)
	Cash disbursement to acquire short-term investments	(53,099)	(57,006)
		(152,736)	**(263,626)**
c)	**Cash proceeds from investments or cash disbursement from investments (a+b)**	**43,208**	**(110,977)**
C)	**Cash flow from financing activities**		
a)	**Cash receipts from financing activities**		
	Cash proceeds from paid-in capital	10,904	8,083
	Cash proceeds from increase of long-term financial liabilities	48,197	115,991
	Cash proceeds from increase of short-term financial liabilities	305,245	281,884
		364,346	**405,958**
b)	**Cash disbursement from financing activities**		
	Interest paid on financing activities	(25,055)	(16,243)
	Cash repayments of equity	-	-
	Cash repayments of long-term financial liabilities	(82,487)	(64,162)
	Cash repayments of short-term financial liabilities	(302,918)	(218,770)
	Dividends and other profit shares paid	(4,404)	(1,686)
		(414,864)	**(300,861)**
c)	**Cash proceeds from financing or cash disbursement from financing (a+b)**	**(50,518)**	**105,097**
D)	**Cash and cash equivalents at end of period**	**1,765**	**11,963**
x)	**Net cash inflows or outflows for the period (addition for net cash Ac, Bc and Cc)**	**(10,198)**	**(15,141)**
y)	**Cash and cash equivalents at beginning of period**	**11,963**	**27,104**

Statement of changes in Equity

In thousand EUR	Called-up capital	Capital surplus	Revenue reserves		Revaluation surplus	Retained earnings	Net profit or loss for the period	Total equity
	Share capital		Legal reserves	Other revenue reserves		Net profit carried over	Net profit from the financial year	
Balance as of 1 January 2008	**10,077**	**6,742**	**431**	**2,892**	**2**	**5,112**	**4,404**	**29,660**
Transfer into capital accounts	**10,904**	**526**	**-**	**-**	**-**	**-**	**377**	**11,807**
Transfer of additional capital contributions	10,904	-	-	-	-	-	-	10,904
Transfer of income for the financial year	-	-	-	-	-	-	377	377
Other additions in capital	-	526	-	-	-	-	-	526
Transfer within capital accounts	**-**	**-**	**-**	**-**	**-**	**4,404**	**(4,404)**	**-**
Distribution of profit to other capital accounts by resolution of Management and Supervisory Board	-	-	-	-	-	4,404	(4,404)	-
Other transfer of capital	-	-	-	-	-	-	-	-
Transfer from capital accounts	**-**	**-**	**-**	**-**	**-**	**(4,404)**	**-**	**(4,404)**
Dividend payments	-	-	-	-	-	(4,404)	-	(4,404)
Final balance as of 31 December 2008	**20,981**	**7,268**	**431**	**2,892**	**2**	**5,112**	**377**	**37,063**

The notes of pages 51-75 form a component part of these financial statements.

In thousand EUR	Called-up capital	Capital surplus	Revenue reserves		Revaluation surplus	Retained earnings	Net profit or loss for the period	Total equity
	Share capital		Legal reserves	Other revenue reserves		Net profit carried over	Net profit from the financial year	
Balance as of 1 January 2007	**1,991**	**6,742**	**199**	**2,892**	**2**	**5,112**	**1,686**	**18,624**
Transfer into capital accounts	**8,086**	**-**	**-**	**-**	**-**	**-**	**4,636**	**12,722**
Transfer of additional capital contributions	8,086	-	-	-	-	-	-	8,086
Transfer of income for the financial year	-	-	-	-	-	-	4,636	4,636
Transfer within capital accounts	**-**	**-**	**232**	**-**	**-**	**1,686**	**(1,918)**	**-**
Distribution of profits to other capital accounts by resolution of Management and Supervisory Boards	-	-	-	-	-	1,686	(1,686)	-
Other transfer of capital	-	-	232	-	-	-	(232)	-
Transfer from capital accounts	**-**	**-**	**-**	**-**	**-**	**(1,686)**	**-**	**(1,686)**
Dividends payments	-	-	-	-	-	(1,686)	-	(1,686)
Final balance as of 31 December 2007	**10,077**	**6,742**	**431**	**2,892**	**2**	**5,112**	**4,404**	**29,660**

Notes to the statement of changes in equity

In 2008 Domžale bank, d.d., Domžale, Koroška, d. d., bank Slovenj Gradec and Zasavje, d.d. bank, Trbovlje merged with NLB, d. d. With the merger NLB, d.d. became a 100% owner of the companies mentioned above.

An equity capital increase in the amount of 10,904 thousand EUR represents an additional capital contribution made by shareholders. Net profit carried over from the previous year increased by 4,404 thousand EUR due to the profit generated in 2007 and was distributed to shareholders.

Other increase in capital reserves in the amount of 526 thousand EUR represents the effects of a merger of NLB Leasing Murska Sobota and NLB Leasing Velenje with NLB Leasing, d.o.o., Ljubljana.

Annex to the statement of changes in equity - balance sheet profit

In thousand EUR	2008	2007
Balance sheet profit		
Net profit for the financial year	377	4,636
Increase in reserves from profits (legal reserves)	-	(232)
Retained earnings	5,112	5,112
Balance sheet profit	**5,489**	**9,516**

Statement of management's responsibility

The management hereby confirms the financial statements for the year ending on 31 December 2008 and the accompanying accounting policies and notes to the accounting policies of this annual report.

The management is responsible for the preparation of the annual report in a way as to be a true and fair presentation of the assets and the results of its operations for the year ending on 31 December 2008.

The management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in preparing the financial statements. The managements also confirm that financial statements, together with the notes hereto, have been prepared on the basis of assumption of going concern and in line with valid legislation and Slovenian Accounting Standards.

The management is also responsible for keeping proper accounting records, taking reasonable steps to safeguard assets and to prevent and detect fraud and other irregularities or discrepancies.

The tax authorities are entitled to inspect company operations at any time within five years following the year in which a tax assessment was due, which can consequentially give rise to additional tax liabilities, interest in arrears and penalties emanating from the Corporate Income Tax Act (ZDDPO-2) or other taxes and charges. The management is not aware of any circumstances which could lead to eventual liabilities in this regards.

Samo Turk,
Member of Management Board

Borut Simonič,
Chairman of the Management Board

Notes to the Financial Statements

1 BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

The financial statements of NLB Leasing, d.o.o., Ljubljana (hereinafter referred to as NLB Leasing Ljubljana) have been prepared in accordance with the 2006 Slovenian Accounting Standards (hereinafter referred to as SRS 2006) and the Companies Act (ZGD-1). The data presented in the financial statements are based on accounting documents and books of account that are managed in line with SRS 2006.

The company also draws up consolidated financial statements in line with SRS 2006, which include NLB Leasing Ljubljana and all of its subsidiaries (hereinafter referred to as the Leasing Group). All of the subsidiaries where NLB Leasing Ljubljana has more than half of the voting rights either directly or indirectly are fully consolidated. Consolidated and individual financial statements are available at the company's registered office and on www.nlbleasing.si. Annual report of the NLB Group as parent company of the NLB Leasing, d.o.o., Ljubljana is avaliable on www.nlb.si.

In order to obtain accurate information of the financial position and results of the entire Leasing Group, it is necessary to review individual financial statements of NLB Leasing Ljubljana together with the consolidated financial statement.

Preparation of the financial statements considers basic accounting assumptions: accrual basis, going concern and quality characteristics of financial statements; these are particularly comprehensibility, compliance, reliability and comparability. The accounting guidelines, moreover, apply the basic accounting principles: prudence, substance over form and significance.

The company had made corrections on the balance sheet statement and profit and loss statement for year 2007 due to the chart of accounts changes in order to ensure comparability of data. The new chart of account assumes that receivables from a financial lease (which were earlier disclosed as trade receivables) transfer to financial investments accounts. In addition, revenues that arise from a financial lease, as well as the impairment revenues and expenses transfer to different accounts as well.

Items presented in the financial statements are measured in the currency of a primary economic environment where the company operates. The financial statements are presented in euros, which is the company's functional and presentational currency.

Segmentation of items, included in the profit and loss statement income and statements of financial position, has been carried out to present a more realistic picture. Any subsection containing words such as "in the group" includes relations both towards the NLB Leasing Group as well as towards the NLB Group. A more detailed segmentation of accounts "in the group" has been disclosed in the notes to the financial statements.

NLB Leasing Murska Sobota, d.o.o. and NLB Leasing Velenje, d.o.o. merged with NLB Leasing Ljubljana d.o.o. in 2008. The merger was carried out, in accordance with the Introduction to SRS 2006 and MRSP 3, at book value since in practice the merger happened between companies under a mutual administrator.

Overview of important items of merger:

	NLB Leasing Murska Sobota, d. o. o.	NLB Leasing Velenje, d. o. o.
Date of merger	31.12.2007	31.12.2007
Company register date	01.07.2008	01.07.2008
Total balance from date of merger to company register date	46,271 thousand EUR	18,833 thousand EUR
Total comprehensive income from date of merger to company register date	51 thousand EUR	38 thousand EUR

At merger there was no identification of goodwill or negative goodwill.

2 ACCOUNTING POLICIES

2.1 Intangible assets

Intangible assets include materialised cost of investment into others' tangible fixed assets, investments into acquired industrial property rights and other rights. They are non-monetary assets and generally do not exist in physical form. The cost of an itangible fixed asset and similar assets is recognised as intangible assets

Following the initial recognition, intangible assets are measured using the cost method.

All intangible assets have a definite useful life. Their book value is reduced based on accumulated amortisation and impairment losses. Intangible assets with a definite useful life are amortised over their respective useful life. Amortisation is applied on a straight-line basis.

Carrying values of intangible assets must be assessed in detail at the end of each respective financial year. If the expected useful life of the respective intangible assets with a definite useful life differs significantly from the previous assessments and if expected economic benefits emanating from the said assets significantly change, it is necessary to suitably adjust the amortisation period and method.

The difference between the net return on sale and the book value of disposed intangible assets is recognised as revaluation operating revenue if the net return on sale is greater that the book value, or rather among revaluation operating expenses, if the book value is greater that the net return on sale.

The company also reviews whether a respective intangible asset needs to be impaired on the date of drawing up the financial statements, namely by comparing its book value to its recoverable value. The recoverable value is the higher among the value in use and the net selling price. Any established impairment on an asset is presented in the profit and loss statement of a financial year.

2.2 Tangible fixed assets

Tangible fixed assets are assets under ownership or financial lease which, are used in creating products and rendering services or leasing out or for administrative purpose, and are expected to be used in more than one accounting period.

Tangible assets are initially recognised at cost. The cost of a tangible fixed asset comprises of: purchase price, import duties and other non-refundable charges and all other costs that may be directly attributable to bringing the asset to working condition for its intended use. In addition, the cost of tangible assets may be consisted of an estimated cost of decommissioning, removal and restoration. If the acquisition value of a tangible fixed asset is high, it is divided into parts thereof. Subsequently accrued costs which are linked to the said assets increase its acquisition value if future benefits rise in relation to preliminary estimates.

Following the initial recognition, the company measures tangible fixed assets according to the cost model, which requires an asset to be measured at cost less accumulated depreciation and impairment losses.

The depreciation begins on the first day of the following month once the assets are fit for use. The Group uses a straight-line depreciation method. Depreciation is calculated based on the original acquisition value of depreciable assets, less for the eventual estimated residual value. The depreciation is calculated at rates that reflect the useful life of an individual asset. The rates are disclosed in the notes to the financial statement.

The residual value and useful life of assets is reviewed on the balance sheet date and adjusted when expectations differ from previous estimation.

Each year, the company also assesses whether there are signs indicating impairment of fixed assets. In case it is found that such indications are present, procedures that establish recoverable amounts are put into place. The recoverable amount is the value in use or net selling price, namely whichever is higher. If the recoverable amount is higher than the book value of an asset, than no impairment is necessary, while on the contrary impairment is acknowledged immediately in the profit and loss statement.

2.3 Depreciation & amortisation

Amortisation and depreciation rates are determined by the company based on the useful life of respective tangible and intangible assets, whereby a straight-line amortisation/depreciation method is applied.

Depreciation rates for tangible assets:

- buildings 3.0%
- computer equipment 50.0%
- freight vehicles 25.0%
- personal motor vehicles 12.5%
- other equipment 25.0%

Amortisation rates for tangible assets:

- materilalised costs of investment into other fixed assets 10.0%
- other tangible assets 10.0–20.0%

2.4 Financial investments

Financial investments are financial assets which are presented in the balance sheet statement as a long-term and short-term financial investment. Long-term investments are those which the company owns for more than a year and does not have any intention to sell in the near future. Those long-term financial investments which mature within one year following the balance sheet statement date are transferred to short-term financial investments.

Upon initial recognition, financial investments may be classified as one of the following:

- financial assets measured at fair value through the profit and loss statement;
- financial investments held to maturity;
- loans and receivables;
- financial assets available for sale.

Financial investments of the company are represented by shares in group companies, long-term and short-term given loans and derivatives. The company has no other types of financial investments.

Revaluation of a financial investment is a change of its book value. It appears as revaluation of a financial investment to its fair value, revaluation of a financial investment due to impairment, revaluation of a financial investment due to elimination of its impairment.

Financial assets are derecognised when a contractual right to cash flow expires or when the respective financial asset is transferred and the transfer meets the conditions for derecognition.

The book value of financial investments recognized in balance sheet statement represents a possible exposure to credit risk.

a) Financial investments in subsidiaries

Financial investments in subsidiaries are measured at cost. When establishing impairments of investments made into subsidiaries, the company compares the carrying amount of the investment against its recoverable value, which is the higher among the value in use and the net selling price. If the carrying amount of the investment is higher, the difference is recognised as impairment in the profit and loss statement. If the price and circumstances, which have an impact on impairment, change after the impairment is made, the difference is recognised in the profit and loss statement.

b) Derivatives

Derivatives are instruments whose values change based on a change in a certain variable, such as the interest rate, currency, price, exchange rate, price index, creditworthiness and other similar variables. Derivatives are always assigned by the company into the group of financial assets measured at fair value through profit and loss.

Derivatives are initially recognised in the balance sheet at cost, which is equal to the fair value of a received and given reimbursement. Derivatives are subsequently measured at fair value, which is duly determined based on their published market price, the discounted future cash flow model or by using pricing models.

c) Financial investment in loans and receivables from financial lease

Financial investments in loans and financial lease are measured at amortised cost which means that all expenses and revenues that are directly connected to loans are accrued (credit or debit) and proportionately transfered to profit and loss statement based on a duration of the contract.

Upon concluding an agreement a lease is classified as a finance lease when practically all risk and rewards linked to the ownership of the leased asset are transferred. Assets given into finance lease are stated as receivables in the value equal to the net investment under lease upon initial recognition in the balance sheet. Receivables for assets that are leased out are measured according to their difference between the sum of agreed rent and unguaranteed residual value of the asset and the sum of interest revenue included in the rent. All expenses and revenues directly connected with a contract are attributed or deducted from the opening balance of receivables and gradually transfer to profit and loss statement based on a duration of contract. The company assures to conduct receivables in accordance with the concept that is comparable to the amortised value (and to the effective nominal interest rate). Interest (both contractual and default) on long-term and short-term receivables are charged in line with the respective agreement or the law, and are included in the financial revenues.

Loans and receivables from a financial lease that are assumed to remain outstanding or will only be settled in part should be considered as doubtful, or rather questionable, if they are subject to legal proceedings.

Provisions (impairments) are formed on a quarterly basis. The methodology of establishing provisions is harmonised with International Financial reporting Standards.

Provisions or impairments are carried out only in case the company, based on impartial evidence, evaluates that certain collateral of loans and receivables from a financial lease will not be able to be capitalized in accordance with a contract agreement, or are expected to bring a loss.

When the company estimates that customers, based on their ratings, will repay their outstanding liability in full, provisions or impairment do not need to be disclosed.

All financial investments are individually reviewed, namely those loans and receivables from financial lease to citizens that are unpaid and matured over a certain number of days and over a certain amount. At other financial investment, provisions are not necessary unless there is an existing evidence for impairment. The rest of credit portfolios are divided within the credit group from A to E, based on maturity of the loan. All financial investments divided in group D and E, as well as highest receivables in A, B and C credit groups are individually reviewed. Provisions for the rest of financial investments, which are not individually reviewed or where individual review does not show any signs of impairments, are evaluated based on the total value of non-reviewed financial investments in a separate credit group multiplied by the share of average loss of individual impairment of financial investment from the same credit group.

Loans and receivables from a financial lease, which is expected not to be repaid in contract amount and due date, is necessary to be evaluated for its repayment. At the evaluation of repayment, it is necessary to consider the value of leased assets (market value) and value of any other additional security.

If the amount of loss is reduced as a result of an event which occurred after the impairment, the elimination of the impairment is performed through a reduction of the value adjustment.

The company considers a financial investment as irrecoverable financial investment when they ran out of (legal) all possibilities for repossession, and consequently the amount of a loss is final. In case of later collection of already written-off financial investment, the collected amount is disclosed in profit and loss statement.

Since the major portion of the company's portfolio is financial leasing, the security is assured with legal ownership over a leased asset until the final instalment is paid.

Financial investments denominated in a foreign currency on the balance sheet stattement date must be converted into domestic currency. Increase of financial investment enlarges financial revenues, and conversely a decrease of a financial investment enlarges financial expenses.

2.5 Inventories

Inventories include particularly stocks of construction projects under development with the purpose of subsequent financial lease or sale, goods and merchandise.

Stocks are recognised when it is probable that they will generate economic benefits, and when their purchasing value (cost) can be measured with a degree of reliability. Stocks are derecognised at the moment they are used or sold.

Stocks are initially recognised at cost (acquisition price), which is composed of the purchasing price, import and other dues and other direct costs of acquisition. The acquisition price is reduced for any granted discounts.

Work in progress is valued based on purchasing prices and associated costs, using the production costs method. In consumption of stock, the company follows the concept of first in, first out pricing (FIFO).

Stock revaluation is a change in its book value. It is carried out either at the end of the financial year or during the course thereof. Stocks are valued according to their carrying value or net realisable value, namely based on the lower of the two. Stocks are not revaluated based on an increase in value. Assets are revaluated due to impairment, if their book value exceeds their net realisable value.

2.6 Assets (disposal group) held for sale

Owned non-current assets are those whose carrying amount will be recovered mainly through selling the asset rather than through subsequent usage. This condition is only met when the asset is available for immediate sale in its current state. The management must be committed to sell, whereby the sale must be carried out within one year from the date of initial recognition as non-current assets held for sale. Owned non-current assets which are held for sale are measured based on their book value or fair value less for costs to sale, namely whichever is lower. Effects emanating from sale and revaluation are classified in the profit and loss statement as revaluation operating revenues or expenses.

Non-current assets held for sale include recovered vehicles, equipment and property of lessees due to default on their contractual obligations.

2.7 Receivables

Receivables are mostly due to customers (in connection with sold products, merchandise and rendered services and other sold assets) or other financiers of sold products and rendered services. Receivables can also be due to suppliers of the elements of the business process (advance payments, overpayments, securities…), employees, participants at the distribution of the profit or loss (receivables due to state from deferred tax), financiers and financial investment users.

Receivables are divided into long-term and short-term receivables according to their due date of payment. Long term operating receivables represent receivables due from customers, which become due within more than one year. The part of long-term receivables becoming due within a year of the balance sheet statement date is included amongst short-term operating receivables.

Receivables are initially recognized in amounts that emanate from corresponding documents, given that they will be paid.

a) Operating lease

A lease is classified as an operating lease when no important risks and rewards linked to the ownership of the leased asset are transferred. Assets assigned in operating lease are recognized in the balance sheet statement in line with their nature, whereby revenues from rents are recognized on a straight line basis over the lease term. Upon initial recognition the company follows a principle of content over form, whereby subsequent changes in estimates and circumstances do not cause changes to the lease classification.

At operative lease, security is ensured through legal ownership of the asset until settlement of the final lease instalment.

2.8 Deferred tax

Deferred tax assets are recognised for all deductible temporary differences, if it is highly probable that future taxable profit will exist against which taxable differencies can be utilised.

Deferred tax liabilities are amounts of income tax that will have to be paid in the future periods according to taxable temporary differences.

Deferred tax assets and liabilities are subject to a tax rate of 22% in financial year 2008. In the future, deferred tax assets shall be subject to a falling tax rate, namely 21% in and 20% in 2010.

2.9 Investment property

Investment property is property which the company does not use directly in order to carry out its business activity, but is rather owned with the purpose of leasing out as operating lease and/out of capital appreciation.

Investment property is initially recognised based on its acquisition value (at cost), which is made up of the purchasing price and associated costs.

The company's investment property is subsequently measured using the fair value model. The fair value is determined by a chartered appraiser based on International Valuation Standards. The fair value is based on current market prices. Gains or losses emanating from the valuation according to the fair value are included in the profit and loss statement.

The company ranks the following amongst investment property:

- land owned to increase the value of long-term investments and not considered for sale in the near future through regular operations;
- land which the company has not determined future use for;
- owned buildings leased out on operating lease.

If the company owns property where a part of a building is leased out, this part shall be amongst investment property, if the said part may be sold off separately. The part intended for own use is accounted for separately in the form of own fixed assets.

2.10 Cash and cash equivalents

Cash funds are initially recognised in the sum that emanates from the corresponding document. Cash funds expressed in foreign currency are converted into the domestic currency based on the exchange rate on the date of receipt.

Cash funds on foreign currency accounts are revaluated on a monthly basis according to the middle exchange rate of the Bank of Slovenia.

Cash funds include cash in hand, deposit money, cash items in the process of collection and cash equivalents; these are investments which may be converted quickly or in the near future into known cash sums and where the risk of a change in value is insignificant. These include short-term deposits and cash on deposit with an original maturity date of up to 90 days.

2.11 Accruals for financial assets and liabilities

Accruals are receivables and other assets and liabilities which are expected to originate in the coming period or periods and which are probable, whereby their amounts have been assessed with a degree of reliability. The purpose of accruals is to present all expenses and revenues in the period they relate to in the profit and loss statement, irrespective of whether they were paid at that time.

We distinguish deferred costs and accrued revenues and accrued expenses and deferred revenues. The former include deferred costs (expenses) and previously accrued revenues, while the latter include advance costs (expenses) and deferred revenues.

Accruals are not subject to revaluation. During the course of the financial year and in the course of drawing up the financial statements, however, it is necessary to check reality and entitlement to their inclusion, and adjust them accordingly in this regard.

2.12 Equity

The total equity of the company is required to be divided into share capital, capital reserves, reserves from profits, retained earnings from previous years, net profit or loss for the financial year and surplus from revaluation.

The share capital is recognized financial or in-kind contributions. The decisive element is the capital entered in the companies register.

Capital reserves are divided into: capital surplus, general capital revaluation adjustment and other capital reserves.

Reserves from profits are deliberately retained part of net profit from previous year, mainly for cover eventual losses in the future. Reserves dismember to legal reserves, reserves for own shares and interest, statutory reserves and other revenue reserves. Revenue reserves are recognised by resolution of the designated body.

Retained earnings from previous years is recognised when resolution of profit distribution from a separate financial year is accepted excluding amounts for covering previous year losses, amounts for reserves and shares of capital owners.

Revaluation surplus refer to increase of book value of tangible fixed assets.

Dividends paid out to owners reduce the capital of the company in the period they were approved by the owners.

2.13 Provisions and long-term accrued costs and deferred revenues

Provisions are recognised if the company has any legal or indirect liabilities which may be reliably assessed based on a past event and where it is probable that settlement of the said liabilities will require outflow of resources embodying economic benefits.

The company has established provisions emanating from benefits of employees, which include long-service benefits, severance pay upon retirement and other benefits and are calculated based on actuary calculation where number of employees, evaluated fluctuations, long-term salary growth, pension age are considered.

Provision may be used only for the purpose for which it was originally recognised.

The company's long-term accrued costs and deferred revenues include deferred deposits and operating leases.

2.14 Liabilities

Short-term and long-term liabilities are initially recognised at the values that emanate from corresponding initial documents.

Long-term liabilities are disclosed as long-term financial liabilities and long-term operating liabilities. Long-term financial liabilities represent long-term loans. Long-term financial liabilities are increased by accrued interest reduced by repaid sums and eventual other forms of settlement, if an agreement has been concluded with respective creditors. The carrying value of long-term liabilities is equal to their original value, less for repayments of the principal and transfers among short-term liabilities, until there is a need for revaluation. All expenses related to financial liabilities are accrued and carried to expense proportionally with payment period.

Short-term financial liabilities represent received short-term loans. Short-term operating liabilities are received advances and security from clients, liabilities to suppliers both home and abroad, liabilities for uncharged goods and services, liabilities towards employees, liabilities to state institutions and other liabilities.

Revaluation of liabilities in foreign currencies is carried out based on the middle exchange rate of the Bank of Slovenia on the balance sheet statement date.

2.15 Revenues

Revenues are divided among operating revenues, financial revenues and other revenues. Revenues are recognised if the increase in economic benefits in a respective period is linked to an increase in assets or reduction of debt, whereby the increase may be measured with a degree of reliability.

a) Operating revenues

Operating revenues are revenues from sales and other operating revenue associated with products and services.

Revenues from sales are made up of the selling price of sold products, merchandise and material, including rendered services within an accounting period. Revenues from sales of products, merchandise and materials are measured based on selling prices stated on invoices and other documents, less for any discounts approved upon sale or subsequently, even due to early payment.
Revaluation operating revenues appear particularly upon sales of tangible fixed assets and intangible assets as surplus of their sales values above their book values.

b) Financial revenues

Financial revenues are revenues from investments. They appear in relation to financial investments and also receivables in the form of charged interest, shares in profits in others and revaluated financial revenues. Revaluation financial revenues appear upon derecognition of financial investments.

Dividends and other shares in profits are recognised as revenues once the company's claim to the received payment has been enforced.

Financial revenues also include revenues from positive translation differences.

Revenues charged to clients upon concluding finance lease agreements are deferred according to the duration of the respective agreement. Only the part relating to the current accounting period shall be recognised amongst revenues.

c) Other revenues

Other revenues contain unusual items (extraordinary revenues) and other revenues that comprise surplus profit and loss statement. .

2.16 Expenses

Expenses are classified as operating expenses, financial expenses and other expenses.

a) Operating expenses

Operating expenses include all costs accrued in the financial year, itemised by, such as costs of materials, costs of services, labour costs, depreciation and amortisation and other expenses.

Operating expenses from revaluation appear in relation to tangible fixed assets, intangible assets and current assets based on their impairment or sale below their book value.

b) Financial expenses

Financial expenses are expenses from financial liabilities from impairment and write-off's of financial investments. Expenses earmarked as financing include particularly charged real interest, while expenses for investments have the nature of financial expenses from revaluation, which appear in relation to financial investment due to their impairment. Financial expenses also include expenses emanating from negative currency translation differences.

Compensation paid to banks for concluded loan agreements are deferred according to the duration of the respective loan agreement. Expenses include recognition only of that part of the paid costs which refers to the current accounting period.

c) Other expenses

Other expenses contain unusual items (extraordinary expenses) and other expenses reducing the profit.

3 NOTES TO THE BALANCE SHEET ITEMS

3.1 Assets

3.1.1 Intangible assets

In thousand EUR	Materialised costs of investment into others' tangibe fixed assets	Property rights	Total
Acquisition value			
Balance as of 1 January 2008	**107**	**158**	**265**
Opening balance of subsidiaries	-	40	40
Write-off	(88)	(82)	(170)
Additionals	-	16	16
Balance as of 31 December 2008	**19**	**132**	**151**
Value adjustment			
Balance as of 1 January 2008	**(43)**	**(87)**	**(130)**
Opening balance of subsidiaries	-	(39)	(39)
Write- off	43	82	125
Amortisation	(9)	(11)	(20)
Balance as of 31 December 2008	**(9)**	**(55)**	**(64)**
Balance as of 31 December 2007	**64**	**71**	**135**
Balance as of 31 December 2008	**10**	**77**	**87**

No tangible fixed assets of the company are subject to a pledge in the form of security for a loan or any other grounds.

In thousand EUR	Materialised costs of investments into others' tangible fixed assets	Property rights	Total
Acquisition value			
Balance as of 1 January 2007	**105**	**116**	**221**
Write-off	-	-	-
Additions	2	44	46
Disposals		(2)	(2)
Balance as of 31 December 2007	**107**	**158**	**265**
Value adjustments			
Balance as of 1 January 2007	**(30)**	**(70)**	**(100)**
Write-off	-	-	-
Disposals	-	2	2
Amortisation	(13)	(19)	(32)
Balance as of 31 December 2007	**(43)**	**(87)**	**(130)**
Balance as of 31 December 2006	**75**	**46**	**121**
Balance as of 31 December 2007	**64**	**71**	**135**

3.1.2 Tangible fixed assets

In thousand EUR	Land	Buildings	Equipment given into operating lease	Furniture and other equipment	Total
Acquisition value					
Balance as of 1 January 2008	**1,030**	**4,199**	**17,305**	**1,227**	**23,761**
Opening balance of subsidiaries	-	-	935	198	1,133
Write-off	-	-	-	(434)	(434)
Additions	-	31	4,724	241	4,996
Disposals	-	-	(9,384)	(23)	(9,407)
Transfer to/from tangible fixed assets	-	-	-	(120)	(120)
Balance as of 31 December 2008	**1,030**	**4,230**	**13,580**	**1,089**	**19,929**
Value adjustment					
Balance as of 1 January 2008	**-**	**-**	**(2,856)**	**(536)**	**(3,392)**
Opening balance of subsidiaries	-	-	(120)	(123)	(243)
Write-off	-	-	-	258	258
Disposals	-	-	1,773	23	1,796
Amortisation	-	(127)	(2,329)	(214)	(2,670)
Reduction of impairment	-	-	73	54	127
Balance as of 31 December 2008	**-**	**(127)**	**(3,459)**	**(538)**	**(4,124)**
Balance as of 31 December 2007	**1,030**	**4,199**	**14,449**	**691**	**20,369**
Balance as of 31 December 2008	**1,030**	**4,103**	**10,121**	**551**	**15,805**

As of 31 December 2008 the company has received advance payments in amount 29 TEUR for fixed assets. As of 31 December 2008 no tangible fixed assets of the company is subject to a pledge in the form of security for a loan or any other grounds. Based on as of 31 December data the company evaluates that they do not have any signs for impairment of fixed assets.

Future revenues from the operating lease are disclosed in the notes to Net revenue from sales in the Profit and Loss Statement.

As of 31 December 2008 the company does not dispose with any fixed assets acquired through financial lease.

In thousand EUR	Land	Buildings	Buildings under construction	Equipment given into operating lease	Furniture and other equipment	Total
Acquisition value						
Balance as of 1 January 2007	**-**	**-**	**3,050**	**10,032**	**3,896**	**16,978**
Write-off	-	-	-	(4)	(25)	(29)
Additions	-	2,179	-	11,651	363	14,193
Disposals	-	-	-	(4,374)	(21)	(4,395)
Transfer to/from tangible fixed assets	1,030	2,020	(3,050)	-	(2,986)	(2,986)
Balance as of 31 December 2007	**1,030**	**4,199**	**-**	**17,305**	**1,227**	**23,761**
Value adjustments						
Balance as of 1 January 2007	**-**	**-**	**-**	**(2,645)**	**(469)**	**(3,114)**
Write-off	-	-	-	4	25	29
Disposals	-	-	-	1,493	21	1,514
Amortisation	-	-	-	(1,708)	(113)	(1,821)
Balance as of 31 December 2007	**-**	**-**	**-**	**(2,856)**	**(536)**	**(3,392)**
Balance as of 31 December 2006	**-**	**-**	**3,050**	**7,387**	**3,427**	**13,864**
Balance as of 31 December 2007	**1,030**	**4,199**	**-**	**14,449**	**691**	**20,369**

3.1.3 Investment properties

In thousand EUR	Buildings	Land	Total
Balance as of 31 December 2007	**3,931**	**212**	**4,143**
Opening balance of subsidiaries	-	2,392	2,392
Additions	373	-	373
Reduction	(150)	-	(150)
Balance as of 31 December 2008	**4,154**	**2,604**	**6,758**

Investment property includes: residential house in Celje in amount of 60 TEUR, parking lot in the value of 150 TEUR, apartments whose value amounts to 509 TEUR, a part of a parking lot and office building in Ljubljana in the value of 863 TEUR, and part of an office building in Kranj in the value of 2,844 TEUR and land in Otiški Vrh in amount of 2,332 TEUR.

No appraisal of property values was carried out in 2008 due to company estimates that the market value of investment property in 2008 did not change significantly. In 2008, recognized revenues from rents from investment property amounted to 573 TEUR (2007: 31 TEUR).

2008 saw no major costs of maintenance and repair of investment property.

3.1.4 Long-term financial investments

In thousand EUR	2008	2007
Long-term investments, excluding loans	**8,946**	**9,581**
Shares and shareholdings in group companies	8,908	9,318
Other long-term investments	38	263
Long-term given loans	**197,647**	**216,855**
Long-term loans given to group companies	175,195	193,909
Long-term loans given to others	33,711	25,124
Transfer to short-term	(10,975)	(1,628)
Impairment of values of given long-term loans	(284)	(550)
Long-term receivables from operating lease	**151,521**	**131,455**
Long-term receivables from operating lease to group companies	1,360	1,518
Long-term receivables from operating lease to others	206,971	168,972
Transfer to short-term	(51,520)	(37,469)
Impairment of values of given receivables from operating lease	(5,290)	(1,566)
Total	**358,114**	**357,891**

a) Statement of changes in long-term financial investments, except loans

In thousand EUR	Shares and shareholdings in group companies	Measurement of derivatives	Total
Acquisition value			
Balance as of 1 January 2008	**9,703**	**263**	**9,966**
Acquisitions	1,395	38	1,433
Reductions	(1,805)	(263)	(2,068)
Balance as of 31 December 2008	**9,293**	**38**	**9,331**
Impairments			
Balance as of 1 January 2008	**(385)**	**-**	**(385)**
Balance as of 31 December 2008	**(385)**	**-**	**(385)**
Value as of 1 January 2008	**9,318**	**263**	**9,581**
Value as of 31 December 2008	**8,908**	**38**	**8,946**

The increase in item shares and shareholdings in group companies is represented by: capital increase of NLB Leasing Beograd in the amount of 1,140 TEUR, NLB Leasing Sarajevo in the amount of 255 TEUR, while capital decreased of NLB Leasing Murska Sobota which merged with NLB Leasing Ljubljana in 2008.

The item other long-term financial investments includes receivables due from NLB, d.d. emanating from valuation of derivatives used to hedge interest rate risk (Interest Rate Swap - IRS), which are designated and measured at fair value through profit and loss.

b) Statement of changes in long-term given loans

In thousand EUR	Long-term loans given to group companies	Long-term loans given to others	Total
Acquisition value			
Balance as of 1 January 2008	**193,909**	**23,496**	**217,405**
Opening balance of subsidiaries	-	168	168
Increase	42,650	14,075	56,725
Transfer among short-term loans	-	(10,975)	(10,975)
Reductions	(61,364)	(4,028)	(65,392)
Balance as of 31 December 2008	**175,195**	**22,736**	**197,931**
Impairments			
Balance as of 1 January 2008	**-**	**(550)**	**(550)**
Opening balance of subsidiaries	-	(8)	(8)
Increase	-	(11)	(11)
Reductions	-	285	285
Balance as of 31 December 2008	**-**	**(284)**	**(284)**
Value as of 1 January 2008	**193,909**	**22,946**	**216,855**
Value as of 31 December 2008	**175,195**	**22,452**	**197,647**

c) Statement of changes in long-term given financial lease

In thousand EUR	Receivables from financial lease of equipment	Receivables from financial lease of property	Total
Acquisition value			
Balance as of 1 January 2008	**59,955**	**73,066**	**133,021**
Opening balance of subsidiaries	15,843	20,078	35,921
Increase	75,607	30,941	106,548
Transfer to short-term financial lease	(33,261)	(18,259)	(51,520)
Reduction	(44,336)	(22,823)	(67,159)
Balance as of 31 December 2008	**73,808**	**83,003**	**156,811**
Impairment			
Balance as of 1 January 2008	**(1,316)**	**(250)**	**(1,566)**
Opening balance of subsidiaries	(814)	-	(814)
Increase	(2,227)	(1,341)	(3,568)
Write-off	56	16	72
Reduction	505	81	586
Balance as of 31 December 2008	**(3,796)**	**(1,494)**	**(5,290)**
Value as of 1 January 2008	**58,639**	**72,816**	**131,455**
Value as of 31 December 2008	**70,012**	**81,509**	**151,521**

The company records its long-term operating receivables according to the net principle, whereby the balance is reduced by deferred approval commission which relates to concluded leasing agreements and eventual adjustments in value of receivables in line with the adopted methodology.

Receivables from financial lease are secured with ownership over the leased assets. In addition to the said security, there are other forms of security in place, such as bills of exchange, surety, mortgage etc.

The part of long-term operating receivables which become due within 12 months following the balance sheet date is transferred among short-term operating receivables.

d) Analysis of long-term and short-term operating receivables from financial lease according to their maturity

In thousand EUR	Gross receivables	Deferred revenues	Carrying value
Up to 1 year	64,003	(12,483)	51,520
from 1 to 5 years	127,603	(21,724)	105,879
over 5 years	64,662	(13,730)	50,932
Total	**256,268**	**(47,937)**	**208,331**

* Impairments are not included

Out of the total volume of receivables and investments (excluding receivables and investments in companies within the NLB leasing Group), 2008 saw 5.68% of outstanding due receivables, while the corresponding figure for 2007 was 3.18%. However, the scope of outstanding over due receivables subject to legal proceedings increased visibly in 2008, as the figure amounted to 3.46% on 31 December 2008, while the figure in 2007 was 1.26%. The increase was mainly due to a high proportion of receivables as a consequence of the NLB Leasing Velenje, d.o.o. merger.

Impairments of receivables and financial investment were formed in accordance with the accepted methodology of evaluation of impairment which is adjusted to International Financial Reporting Standards.

e) Interest in group companies

In thousand EUR		% Ownership		Investment value		Subsidiary's capital		Net profit or loss of subsidiary	
Group companies	Address	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
NLB Leasing Murska Sobota, d.o.o.	Štefana Kovača 10, 9000 Murska Sobota	-	100.00	-	1,805	-	2,148	-	93
NLB Leasing Podgorica, d.o.o.	Stanka Dragojevića 44 A, 81000 Podgorica	100.00	100.00	200	200	988	635	250	371
NLB Leasing, d.o.o., Sarajevo	Zmaja od Bosne 14c, 71000 Sarajevo	100.00	100.00	434	179	207	(133)	84	(310)
Optima Leasing, d.o.o., Zagreb	Miramarska 24, 10000 Zagreb	75.10	75.10	99	99	420	318	105	167
NLB Leasing, d.o.o., Beograd	Bul. Mihaila Pupina 165 v, 11070 Novi Beograd	100.00	100.00	7,924	6,784	9,185	8,748	1,241	1,326
NLB Real Estate, d.o.o., Beograd	Bul. Mihaila Pupina 165 v, 11070 Novi Beograd	100.00	100.00	10	10	(57)	46	(109)	4
NLB Leasing Sofia EOOD	36 Dragan Tsankov Blvd., 1040 Sofia	100.00	100.00	200	200	(964)	14	(977)	(186)
OL Nektretnine, d.o.o.	Miramarska 24, 10000 Zagreb	75.10	75.10	41	41	336	15	328	(40)
Total				**8,908**	**9,318**	**10,115**	**11,791**	**922**	**1,425**

The capital and net profit are stated based on local balance sheets of subsidiaries with conversion into EURO according to the corresponding exchange rate of the Bank of Slovenia.

3.1.5 Long-term operating receivables

In thousand EUR	2008	2007
Other long-term operating receivables	7	7
Total	**7**	**7**

Long-term operating receivables represents cash instalments in Housing reserve fund.

3.1.6 Deferred tax assets

In thousand EUR	2008	2007
Deferred tax for receivables (impairment)	1,214	58
Deferred tax for provisions made for employees	19	14
Deferred tax for fixed assets - impairments	26	20
Deferred tax for long-term investments - impairments	11	13
Deferred tax for inventories - impairments	3	269
Tax non-recognized amortisation	34	-
Total	**1,307**	**374**

Deferred tax assets represent the amount of income tax which will be reimbursed in the future periods with regard to deductible temporary differences. The company expects to generate available taxable profits in the future periods, against which it will be possible to offset the deferred tax assets. Considering that the applicable tax rate in 2009 will be 21%, the company has recalculated and recognized its deferred tax assets using the 21% tax rate.

3.1.7 Assets (disposal group) held for sale

In thousand EUR	Repossessed vehicles	Repossessed equipment	Repossessed property	Total
Acquisition value				
Balance as of 1 January 2008	**297**	**7**	**2,112**	**2,416**
Opening balance of subsidiaries	151	23	1,806	1,980
Increase	1,758	-	1,093	2,851
Reduction	(895)	(23)	(251)	(1,169)
Balance as of 31 December 2008	**1,311**	**7**	**4,760**	**6,078**
Impairments				
Balance as of 1 January 2008	**(102)**	**-**	**(1,326)**	**(1,428)**
Opening balance of subsidiaries	(55)	-	-	(55)
Reduction	107	-	1,041	1,148
Balance as of 31 December 2008	**(50)**	**-**	**(285)**	**(335)**
Value as of 1 January 2008	**195**	**7**	**786**	**988**
Value as of 31 December 2008	**1,261**	**7**	**4,475**	**5,743**

Among the assets held for sale, the Group includes stocks of property and equipment which was recovered from lessees based on defaulting on their contractual obligations. All assets are in the process of being sold and are expected to be sold in 2009.

3.1.8 Inventories

In thousand EUR	Inventories of work in progress	Products and merchandise goods	Other merchandise	Skupaj
Balance as of 1 January 2008	**4,262**	**1,608**	**-**	**5,870**
Opening balance of subsidiaries	-	-	120	120
Increase	1,102	1,666	4	2,772
Reduction	(1,050)	(307)	(113)	(1,470)
Balance as of 31 December 2008	**4,314**	**2,967**	**11**	**7,292**
Impairments				
Balance as of 1 January 2008	**-**	**-**	**-**	**-**
Balance as of 31 December 2008	**-**	**-**	**-**	**-**
Value as of 1 January 2008	**4,262**	**1,608**	**-**	**5,870**
Value as of 31 December 2008	**4,314**	**2,967**	**11**	**7,292**

Work in progress includes real estate construction contracts which will be sold in the forthcoming future or will be the subject of financial lease. Products and trading goods represents real estate assets which are held for trading.

The inventory count revealed no surplus or shortfalls in 2008.

In the prior reporting year the company has not pledged inventories as a guarantee for payment.

3.1.9 Short-term financial investments

In thousand EUR	2008	2007
Short-term loans given within the group	15,661	7,364
Short-term loans given to others	61,681	50,674
Short-term share of long-term loans given to others	10,975	1,628
Short-term receivables from financial lease	51,520	37,469
Impairments	(373)	(4)
Total	**139,464**	**97,131**

Short-term deposits with original maturity of up to 90 days are included within cash and cash equivalents.

a) Statement of changes in short-term given loans

In thousand EUR	Short-term loans given to group companies	Short-term loans given to other	Short-term receivables from financial lease	Total
Acquisition value				
Balance as of 1 January 2008	**7,364**	**52,302**	**37,469**	**97,135**
Opening balance of subsidiaries	-	9,295	11,312	20,607
Increase	33,392	34,922	-	68,314
Transfer to short-term part of long-term loans	-	10,975	51,520	62,495
Reduction	(25,095)	(34,838)	(48,781)	(108,714)
Balance as of 31 December 2008	**15,661**	**72,656**	**51,520**	**139,837**
Impairments				
Balance as of 1 January 2008	**-**	**(4)**	**-**	**(4)**
Opening balance of subsidiaries	-	(2)	-	(2)
Increase	-	(649)	-	(649)
Reduction	-	282	-	282
Balance as of 31 December 2008	**-**	**(373)**	**-**	**(373)**
Value as of 1 January 2008	**7,364**	**52,298**	**37,469**	**97,131**
Value as of 31 December 2008	**15,661**	**72,283**	**51,520**	**139,464**

3.1.10 Short-term operating receivables

In thousand EUR	2008	2007
Short-term receivables due from buyers	**2,119**	**3,672**
Short-term receivables due from domestic buyers	7,918	4,082
Short-term receivables due from domestic buyers- group companies	144	126
Impairment of short-term receivables due from buyers	(5,943)	(536)
Given short-term advances and security	**799**	**2,515**
Other given short-term advances and overpayments	799	2,515
Other short-term receivables	**2,694**	**1,418**
Short-term receivables due from the state	2,535	363
Others short-term receivables	188	1,055
Impairment of other short-term receivables	(29)	-
Total	**5,612**	**7,605**

Short-term advances in the amount of 799 TEUR (2007: 2,515 TEUR) refer to payments to suppliers for undelivered goods and services. The largest proportion is represented by advance payments for purchase of equipment subject to financial lease.

Receivables due from the state in most part represent receivables from income tax in amount of 1,122 TEUR, value added tax in amount of 1,229 TEUR (2007: 83 TEUR) and withholding tax in the amount of 175 TEUR (2007: 267 TEUR).

The increase in other short-term receivables in particular refers to unconfirmed credit notes that were the result of withdrawals from contracts on financial lease of property and a consequence of a change in the interest rate which affects the scope of receivables due from lessees and thus the level of charged value added tax.

a) Statement of changes in short-term operating receivables

In thousand EUR	Short-term receivables due from buyers	Short-term advances	Other short-term receivables	Total
Acquisition value				
Balance as of 1 January 2008	**4,208**	**2,515**	**1,418**	**8,141**
Opening balance of subsidiaries	8,161	292	592	9,045
Increase	23,447	8,104	26,320	57,871
Reduction	(27,754)	(10,112)	(25,607)	(63,473)
Balance as of 31 December 2008	**8,062**	**799**	**2,723**	**11,584**
Impairments				
Balance as of 1 January 2008	**(536)**	**-**	**-**	**(536)**
Opening balance of subsidiaries	(4,433)	-	(241)	(4,674)
Increase	(2,691)	-	-	(2,691)
Write-off	1,684	-	200	1,884
Reduction	33	-	12	45
Balance as of 31 December 2008	**(5,943)**	**-**	**(29)**	**(5,972)**
Value as of 1 January 2008	**3,672**	**2,515**	**1,418**	**7,605**
Value as of 31 December 2008	**2,119**	**799**	**2,694**	**5,612**

3.1.11 Cash and cash equivalents

In thousand EUR	2008	2007
Cash in hand	345	69
Short term deposits and call deposts	1,420	11,894
Total	**1,765**	**11,963**

Short-term deposits have an original maturity date of less than 90 days. The short-term deposit refers to short-term deposit of funds with NLB, d.d.

3.1.12 Short-term deferred costs and accrued revenues

In thousand EUR	2008	2007
Short-term deferred costs	51	1,474
Short-term accrued revenues	-	675
VAT from received advance payments	119	188
Total	**170**	**2,337**

The increase in short-term deferred costs and accrued revenues is mostly influenced by short-term deferred costs from 2007 in the amount of 1,422 TEUR emanating from financing due to an increase in the scope of borrowings. In 2008 deferred costs is reflected as a decrease of financial liabilities. In year 2008 most of deferred cost represents scholarships for employees and insurances.

Accounted provisions in year 2007 were used up in the current financial year.

3.2 Equity and liabilities

3.2.1 Provisions

In thousand EUR	Provisions for long service benefits	Provisions for severance pay upon retirement	Provisions for outstanding leave of absence	Total
Balance as of 1 January 2008	**19**	**46**	**46**	**111**
Opening balance of subsidiaries	16	57	-	73
Additonally formed	-	31	-	31
Used	-	(37)	-	(37)
Abolished / transfered	(26)	-	(46)	(72)
Balance as of 31 December 2008	**9**	**97**	**-**	**106**

In year 2008 the company has in accordance with International Financial Reporting Standard 19 calculated once again employees' liabilities for long service benefits and severance pay upon retirement.

The following presumptions were considered when calculating provisions for retirement and benefits payment:

- monthly gross salary for calculation of retirement payment in amount of 1,467.00 EUR;
- starting salary of I. tariff class of Collective agreement for banks and saving banks in the Republic of Slovenia in amount of 378.23 EUR was considered for calculation of liabilities for retirement payment;
- foreseen salary growth in amount of 4.75%;
- average salary growth in RS in amount of 4.5% annually;
- increase of amounts for benefits and retirement payment in amount of 4.5% annually;
- estimation of employee fluctuation, namely to 30 years 6%, from 30 to 40 years 3%, from 40 to 50 years 2%, from 50 to 60 years 1%, over 60 years 0%;
- selected discount interest rate is 7.75%.

Provisions for outstanding leave absence were transfered to short-term accruals.

3.2.2 Long-term accrued costs and deferred revenues

In accordance with Slovenian and International Accounting Standards revenues from rents based on operating lease are recognized proportionately through duration of contract. Received deposits are accrued through long-term provisions and gradually transfer to profit and loss statement. The company established long-term accrued costs and deferred revenues from operating lease in the amount of 1,485 TEUR (2007: 2,053 TEUR).

3.2.3 Long-term financial liabilities

In thousand EUR	2008	2007
Long-term loans hired from group companies	**13,367**	**15,852**
Long-term loans hired from group companies	17,538	21,589
Transfer to short-term parts	(4,171)	(5,737)
Long-term loans hired from domestic banks	**144,038**	**151,809**
Long-term loans hired from domestic banks	201,677	190,904
Transfer to short-term parts	(57,639)	(39,095)
Long-term loans hired from foreign banks	**81,326**	**86,300**
Long-term loans hired from foreign banks	116,181	108,343
Transfer to short-term parts	(34,855)	(22,043)
Other long-term financial liabilities	**503**	**-**
Total	**239,234**	**253,961**

3.2.4 Short-term financial liabilities

In thousand EUR	2008	2007
Short-term loans hired from group companies	**123,139**	**38,354**
Short-term loans hired from group companies	118,968	32,617
Short-term share of long-term loans hired from group companies	4,171	5,737
Short-term loans hired from domestic banks	**100,056**	**52,177**
Short-term loans hired from domestic banks	42,417	13,082
Short-term share of long-term loans hired from domestic banks	57,639	39,095
Short-term loans hired from foreign banks	**36,583**	**123,030**
Short-term loans hired from foreign banks	1,728	100,987
Short-term share of long-term loans hired from foreign banks	34,855	22,043
Total	**259,778**	**213,561**

Short-term financial liabilities are recognized liabilities from financing own resources which need to be returned within not later than 1 year or needs to be repaid in cash.

a) Maturity of financial liabilities

Remaining balance due as of 31 December 2008	**up to 1 year**	**from 1 to 5 years**	**over 5 years**	**Total**
From group companies	123,139	13,088	782	137,009
From domestic banks	100,056	111,038	33,000	244,094
From foreign banks	36,583	69,680	11,646	117,909
Total	**259,778**	**193,806**	**45,428**	**499,012**

Remaining balance due as of 31 December 2007	**up to 1 year**	**from 1 to 5 years**	**over 5 years**	**Total**
From group companies	38,354	12,616	3,236	54,206
From domestic banks	52,177	111,856	39,953	203,986
From foreign banks	123,030	76,807	9,493	209,330
Total	**213,561**	**201,279**	**52,682**	**467,522**

Long-term and short-term liabilities are guaranteed with bills of exchange, pledged receivables and/or soft letters of comfort from the parent company.

3.2.5 Short-term operating liabilities

In thousand EUR	2008	2007
Short-term liabilities to group companies	**4**	**11**
Short-term liabilities to suppliers	**1,013**	**5,196**
Short-term liabilities to domestic suppliers	560	2,439
Short-term liabilities to foreign suppliers	62	18
Short-term liabilities for uncharged goods and services	391	2,739
Received short-term advances and security	**1,983**	**2,718**
Received short-term advances	1,974	2,708
Received short-term security from lessees	9	10
Short-term liabilities to employees	**127**	**146**
Short-term liabilities for net salaries and wage compensation	99	127
Short-term liabilities for other income from employment	28	19
Liabilities to state and other institutions	**229**	**944**
Liabilities for charged VAT	-	357
Liabilities for income tax	124	549
Other short-term liabilities to state and other institutions	105	38
Other short-term liabilities	**992**	**389**
Total	**4,348**	**9,404**

The increase of liabilities for uncharged goods and services relates to increased construction development in 2008. Goods and services were accounted for as per the respective contract, while the company has yet to receive invoices for rendered services and delivered goods.

3.2.6 Short-term accrued costs and deferred revenues

In thousand EUR	2008	2007
Accrued costs and expenses	126	61
Short-term deferred revenues	13	2
Total	**139**	**63**

Short-term accrued costs and deferred revenues include accrued costs and calculated bonuses pursuant to individual contracts in the amount of 38 TEUR (2007: 29 TEUR) and accrued costs for outstanding leave absence in the current financial year in amount of 57 TEUR (2007: 46 TEUR) that were in 2007 accounted for provisions.

Accruals from 2007 were used up in the current financial year.

3.3 Off-balance sheet assets and liabilities

In thousand EUR	2008	2007
Other received insurance	42,409	-
Given guarantees	20,196	3,317
Derivatives-SWAP	19,916	15,906
Received credit line	7,464	16,500
Off balance factoring	5,566	-
Factoring receivables for loan insurance	1,114	-
Undrawn part of credit line	600	600
Liabilities from received security	62	57
Other	435	-
Total	**97,762**	**36,380**

3.3.1 Maturity of off-balance sheet assets/liabilities

In thousand EUR	2008	2007
To 1 year	24,689	20,814
From 1 to 5 years	62,395	10,503
Over 5 years	10,678	5,063
Total	**97,762**	**36,380**

4 NOTES TO ITEMS IN THE PROFIT AND LOSS STATEMENT

4.1 Net sales revenues

In thousand EUR	2008	2007
Net revenues realised amongst group companies	142	239
Net revenue from operating lease	2,896	2,604
Revenues from investment property	573	31
Net revenue from sales of merchandise	466	3,015
Net revenue from sales of products	1,107	442
Other net sales revenues	1,193	974
Total	**6,377**	**7,305**

Net revenues generated among group companies are revenues generated from rendering services for group companies.

Net revenues from operating lease are represented by monthly rents for used of the leads asset. The amount of rents for operating lease that company is going to gain in the future based on currently contracts amounts 12,699 TEUR:
- up to 1 year 3,057 TEUR
- from 1 to 5 years 5,267 TEUR
- over 5 years 4,375 TEUR

Other net sales revenues in the amount of 1,193 TEUR (2007: 974 TEUR) are revenues generated from payment reminders, handling charges or approval commission based on operating lease and handling charges of early termination of lease agreement.

As of 31 December 2008, the company also has some property lease agreement concluded in addition to operating lease contracts, with the former included amongst investment property in the balance sheet. The features of the agreements are as follows:
- five business premises lease agreements on location at Šlandrova Street, whose total non-discounted value amounts to 362 TEUR;
- parking lot lease agreements, which the company has classified as investment property, with a lease value of 250 EUR/month;
- residential property lease agreements, with a total rental value of 500 EUR/month.

Net sales revenues from sales of products were generated from the sale of the development which the company began to build in 2007.

Net revenues from sales of merchandise were generated through the sale of a property that was bought in 2008 and sold in the current financial year.

All net sales revenues are measured based on sales prices that were stated on invoices or other corresponding documents.

4.2 Changes in value of inventory products and unfinished production

The change in the value of finished goods and work in progress amounting to 78 TUER refers to capitalised costs of inventory in relation to development and construction, based on the applied concept of presenting costs according to their nature ("nature of cost method").

4.3 Other operating revenues (with revaluation operating revenues)

In thousand EUR	2008	2007
Operating revenues from revaluation in relation to fixed assets	220	71
Operating revenues from revaluation - reversal of allowance for bad debts	45	64
Elimination of provisions	26	-
Operating revenues from revaluation relating to assets held for sale	1,133	-
Other	12	-
Total	**1,436**	**135**

Operating revenues from revaluation in relation to fixed assets represent profits from sales of own fixed assets – motor vehicles which were given out for operating lease.

Operating revenues from reversal of allowance for bad debts are revenues emanating from reversal of impairments which were made in previous financial periods. This includes elimination of previously established value adjustments (impairments) from loans and financial lease receivables of equipment and property.

4.4 Costs of goods, materials and services

In thousand EUR	2008	2007
Cost of goods sold	**(435)**	**(2,003)**
Costs of materials	**(863)**	**(4,159)**
Costs of materials	(756)	(4,054)
Energy costs	(31)	(18)
Small tools write-offs	(5)	(2)
Costs of office materials and technical literature	(66)	(72)
Other costs of materials	(5)	(13)
Costs of services	**(2,511)**	**(3,218)**
Costs of postal, telegraph and telephone services, incl. transport costs	(170)	(131)
Costs of services relating to maintenance of tangible fixed assets	(281)	(128)
Rents	(108)	(236)
Reimbursements to workers for work-relating activities	(121)	(87)
Costs of payment transactions and banking services, incl. insurance premiums	(129)	(197)
Costs of intellectual services	(597)	(399)
Costs of fairs, advertising and entertaiment	(489)	(518)
Costs of services rendered by individuals who are not registered as a business entity, including dues which are charged to the company	(85)	(90)
Costs of other services	(531)	(1,432)
Total	**(3,809)**	**(9,380)**

Costs of materials emanate predominantly from the purchase of land for further property development.

The largest share of costs of other services is represented by costs of project documentation and costs of connections at property development. In abovementioned costs are also included costs accrued due to recovery of equipment based on defaults on contractual provisions.

Rental costs have decreased in 2008 because the company had moved its operations into new (owned) premises at Šlandrova Ulica 2. The rents are being paid to only four other offices.

4.5 Labour costs

In thousand EUR	2008	2007
Salaries and wages	(2,194)	(1,674)
Costs of additional pension insurance of employees	(94)	(66)
Pay for annual leave, reimbursements and other earnings of employees	(434)	(332)
Employer's contribution from salaries, reimbursements, benefits, etc.	(390)	(299)
Other employer's dues from salaries, reimbursements, benefits, etc.	(66)	(98)
Provision for outstanding leave of absence	(55)	(46)
Total	**(3,233)**	**(2,515)**

Costs of wages and salaries have increased due to merger of NLB Leasing Murska Sobota and NLB Leasing Velenje. In August, the company also adjusted starting salaries by 3.9%.

4.6 Write-downs in value

In thousand EUR	2008	2007
Amortisation and depreciation	**(2,690)**	**(1,853)**
Amortisation of intangible long-term assets	(20)	(32)
Depreciation of the buildings	(129)	-
Depreciation of equipment and replacement parts	(2,541)	(1,821)
Operating expenses from revaluations	**(3,506)**	**(1,728)**
Operating expenses from revaluations of intangible long-term assets and tangible fixed assets	(778)	(509)
Operating expenses from revaluations in relation to short-term assets, excluding financial investments and investment property	(2,728)	(1,219)
Total	**(6,196)**	**(3,581)**

Operating expenses from revaluation in relation to fixed assets refer to losses incurred in sales of leased motor vehicles (operating lease), along with impairment of leased motor vehicles – impairment on market value.

Operating expenses from revaluation relating to short-term assets refer to newly formed value adjustments for receivables due from loans and financial lease in line with the adopted methodology.

4.7 Other operating expenses

In thousand EUR	2008	2007
Dues which are not dependent on labour costs or other types of costs	(466)	(452)
Other costs	(210)	(111)
Total	**(676)**	**(563)**

Dues independent from labour costs include 457 TEUR worth of withholding tax from interest emanating from loans hired abroad (2007: 447 TEUR). Due to increase of other costs influenced an increase of juridical costs and other administrative costs and cost of Membership at The Bank Association of Slovenia.

4.8 Financial revenues from shares and interests

In thousand EUR	2008	2007
Financial revenues from shareholdings held in group companies	1,140	1,071
Financial revenues from other investments	327	623
Total	**1,467**	**1,694**

Financial revenues from shares in group companies refer to the payment of profits from subsidiary NLB Leasing Beograd in the amount of 1,140 TEUR (2007: 1,070 TEUR).

Financial revenues from other investments include revenues from deposits and funds on accounts amounting to 72 TEUR (2007: 209 TEUR), revenues from financial assets measured at fair value through profit and loss in the amount of 43 TEUR (2007: 392 TEUR) and revenues from interest on swap agreements amounting to 212 TEUR (2007: 22 TEUR).

4.9 Financial revenues from loans and financial lease

In thousand EUR	2008	2007
Financial revenues from loans given to group companies	15,255	10,242
Financial revenues from loans given to other	6,215	4,001
Financial revenues from financial lease given to group companies	67	124
Financial revenues from financial lease given to other	20,842	16,120
Financial revenues from impairment reversal	831	765
Total	**43,210**	**31,252**

Financial revenues from loans refer to accrued interest from loans including accrued positive currency differences in amount of 1,058 TEUR (2006: 433 TEUR). Increase of financial revenues from loans given to others results from mergers.

Financial revenues from financial lease include revenues from interest for financial lease of equipment and property, revenues from fees and other handling charges which are deferred according to the duration of respective agreements and positive currency translation differences from operating receivables amounting to 2,531 TEUR (2007: 406 TEUR). Increase of financial revenues results from mergers.

NLB Leasing Ljubljana has decided not to reveal interest rates for received loans due to negative influence on business performance. The information is considered to be confidential information.

Financial revenues from impairment reversal refer to previously formed value adjustments for given loans and financial lease.

4.10 Financial expenses from impairments and investment write-offs

In thousand EUR	2008	2007
Expenses from impairments	(4,677)	(888)
Total	**(4,677)**	**(888)**

Financial expenses from impairments include impairments and write-offs of given loans and financial lease in the amount of 3,905 TEUR (2007: 730 TEUR) and valuation for derivatives amounting to 772 TEUR (2007: 158 TEUR).

4.11 Financial expenses from financial liabilities

In thousand EUR	2008	2007
Financial expenses from loans received from group companies	(7,358)	(2,944)
Financial expenses from loans received from banks	(24,536)	(17,290)
Financial expenses from other financial liabilities	(601)	(235)
Total	**(32,495)**	**(20,469)**

Financial expenses from financial liabilities represent expenses from financing; firstly interest expenses based on loans agreement and expense from revaluation of financial liabilities dominated in foreign currency.

The increase in financial expenses from loans is result of an increasing cost of the borrowing and from mergers.

Financial expenses based on loans include expenses for interest, deferred approval commission and also negative currency differences amounting to 2,235 TEUR (2007: 127 TEUR).

NLB Leasing Ljubljana has decided not to reveal interest rates for received loans due to negative influence on business performance. The information is considered to be confidential information.

4.12 Financial expenses from operating liabilities

In thousand EUR	2008	2007
Financial expenses from liabilities to suppliers and bills of exchange payable	(946)	(526)
Financial expenses from other operating liabilities	(3)	(439)
Total	**(949)**	**(965)**

Most of the financial expenses from operating liabilities result from negative currency differences amounting to 944 TEUR (2007: 960 TEUR).

4.13 Other revenues

In thousand EUR	2008	2007
Received compensation and penalty fees	56	16
Revenues from sale of investment property	42	-
Other extraordinary revenues	215	11
Total	**313**	**27**

Received compensation and penalty fees result from financial and operating lease agreements.

4.14 Other expenses

In thousand EUR	2008	2007
Penalty charges	(39)	-
Other expenses	(122)	(43)
Total	**(161)**	**(43)**

Other expenses are made up of extraordinary expenses, unnecessary operating costs and donations.

4.15 Net profit or loss for the period

In thousand EUR	2008	2007
Revenues		
Net sales revenues	6,377	7,305
Changes in value of inventory and work in progress	78	3,941
Other operating revenues	1,436	135
Revenues from financing	44,677	32,946
Other revenues	313	27
Total	**52,881**	**44,354**
Expenses		
Costs of goods, material and services	(3,809)	(9,380)
Labour costs	(3,233)	(2,515)
Write-offs	(6,196)	(3,581)
Other operating expenses	(676)	(563)
Expenses from financing	(38,121)	(22,322)
Other expenses	(161)	(43)
Total	**(52,196)**	**(38,404)**
Taxes	(308)	(1,314)
Net profit or loss for the financial year	**377**	**4,636**

In thousand EUR	2008	2007
Type of profit/loss		
Operating profit/loss	(6,023)	(4,658)
Profit/loss from financing	6,556	10,624
Profit/loss from other operations	152	(16)
Taxes	(308)	(1,314)
Net profit/loss for the financial year	**377**	**4,636**

Net profit or loss following capital conversion against consumer goods prices

In thousand EUR	Capital as of 1 January 2008	Calculated effect	Profit or loss
Capital - all categories excluding current profits	36,686	929	(552)

In capital conversion we considered changes (dividend payments in May and increased capital in June) with regard to growth of consumer goods in the respective period.

Growth in consumer goods prices in 2008 amounts to 2.1%.

4.16 Income tax and deferred taxes

In thousand EUR	2008	2007
Income tax expense	(1,026)	(1,330)
Revenue/expenses from deferred tax	718	16
Total	**(308)**	**(1,314)**

The calculation of income tax is evident from the following table

In thousand EUR	2008	2007
Taxable recognised revenues	**49,853**	**42,183**
Taxable recognised expenses	**(45,061)**	**(36,291)**
Difference between taxable recognised revenues and expenses	**4,792**	**5,892**
Change in tax base due to transition of new accounting method	(79)	(76)
Increase of tax base for preliminary tax relief claim	83	53
Tax base I.	**4,796**	**5,869**
Reduction for tax relief	(134)	(88)
Tax base II.	**4,662**	**5,781**
Basis for prepayment of taxes	**1,026**	**1,330**

In the company's tax examination for the year 2008, tax is calculated with 22% tax base.

5 SUMMARY OF OPERATIONS BETWEEN RELATED ENTITIES

Profit and loss statement

In thousand EUR	2008	2007
1. Net sales revenues	**553**	**239**
a) net sales realised amongst group companies	142	239
- in NLB Leasing Group	105	191
- in NLB Group	37	48
b) net sales from finance lease and investment properties	411	-
- in NLB Group	411	-
2. Costs of goods, materials and services	**(121)**	**(198)**
- in NLB Leasing Group	(11)	-
- in NLB Group	(110)	(198)
3. Financial revenues from shareholdings	**1,467**	**1,694**
a) financial revenues from shares in group companies	1,140	1,071
- in NLB Leasing Group	1,140	1,071
b) financial revenues from other investments	327	623
- in NLB Group	327	623
4. Financial revenues from given loans and financial lease	**15,322**	**10,366**
- in NLB Leasing Group	14,401	10,035
- in NLB Group	921	331
5. Financial expenses from impairments and financial investment write-offs	**(772)**	**(158)**
- in NLB Group	(772)	(158)
6. Financial expenses from financial liabilities	**(7,545)**	**(2,966)**
a) financial expenses from loans received from group companies	(7,358)	(2,944)
- in NLB Group	(7,358)	(2,944)
b) financial expenses from other financial liabilities	(187)	(22)
- in NLB Group	(187)	(22)

Balance sheet statement

In thousand EUR	2008	2007
Assets		
I. Long- term investments	**185,501**	**205,008**
1. Long- term investments, excluding loans	8,946	9,581
a) shares and shareholdings in group companies	8,908	9,318
- in NLB Leasing Group	8,908	9,318
b) other long-term investments	38	263
- in NLB Group	38	263
2. Long-term loans and finance lease	176,555	195,427
- in NLB Leasing Group (loans)	175,195	193,909
- in NLB Leasing Group (finance lease)	1,360	1,518
III. Short-term investments	**15,661**	**7,364**
- in NLB Leasing Group	15,661	7,364
IV. Short-term operating receivables	**144**	**126**
- in NLB Leasing Group	87	94
- in NLB Group	57	32
III. Cash funds	**1,763**	**11,963**
- in NLB Group	1,763	11,963
Liabilities		
I. Long-term liabilities	**13,870**	**15,852**
1. Long-term financial liabilities-loans	13,367	15,852
- in NLB Group	13,367	15,852
2. Other long-term financial liabilities	503	-
- in NLB Group	503	-
II. Short-term liabilities	**123,143**	**38,365**
1. Short-term financial liabilities	123,139	38,354
- in NLB Group	123,139	38,354
2. Short-term operating liabilities	4	11
- in NLB Group	4	11

Other Important Disclosures

Receivables and liabilities due to Management Board members and other employees based on individual contracts and from members of the Supervisory Board

The company has receivables from loans and finance lease due from employees based on individual contracts in the amount of 111 TEUR (2007: 2 TEUR) and liabilities from gross salaries for December in amount of 49 TEUR (2007: 23 TEUR)

Earnings of Management Board members and other employees on individual contracts, including Supervisory Board members

In 2008, employees on individual contracts based on performing specific jobs accounted for gross earnings in the amount of 638 - including NLB Leasing Murska Sobota and NLB Leasing Velenje (2007: 504 TEUR). Members of the Supervisory Board received gross earnings amounting to 27 TEUR - including NLB Leasing Murska Sobota and NLB Leasing Velenje (2007: 25 TEUR).

Auditor's fees

Pursuant to Article 57 of the Companies Act (ZGD-1), the company is obliged to carry out an audit of its operations. The entire sum spent on the selected certified auditor in 2008 was 22 TEUR (2007: 18 TEUR) and refers to the auditing of the 2008 annual report.

Currencies and method of converting into domestic currency

In order to maintain their real values, receivables or liabilities expressed in foreign currency are revaluated according to the contractual exchange rate that is agreed between parties as the contractual exchange rate. Receivables due from financial lease and short-term and long-term given loans are generally accounted for at the contractual selling exchange rate set by NLB, d.d.

Cash funds are expressed in EUR.

Liabilities due from long-term and short-term loans, including interest, are converted according to the selling corporate exchange rate set by NLB, d.d. Liabilities due to foreign entities are valued using the middle exchange rate of the Bank of Slovenia.

Receivables and liabilities in foreign currency are expressed exclusively in CHF.

Segment reporting

The main characteristic of leasing, which distinguishes it from other forms of financing is that the lessor is the legal owner of the leased item until the final instalment of the lease has been paid and in the fact that the selling price of the lease is usually greater than the value of receivables at any given time for the duration of the leasing agreement - i.e. exposure of the lessor to credit risk. Based on these characteristics we belive that risks by individual products are similar for clients (financial and operating lease of equipment and property to corporates, citizens etc.). Therefore, the company has not defined any separate segments, but rather defined a geographical breakdown of its corporate activities on the secondary level- the summary of which is presented below. The item "abroad" includes countries of the former Yugoslavia.

	2008				
	Slovenia	**Abroad**	**Total**	**Share in Slovenia**	**Share abroad**
1. Revenues from operations and financing	27,284	25,519	52,803	51.7%	48.3%
2. Expenses from operating in financial liabilities	(23,970)	(11,428)	(35,398)	67.7%	32.3%
3. Assets	299,333	242,820	542,153	55.2%	44.8%
4. Liabilities	395,281	146,872	542,153	72.9%	27.1%

	2007				
	Slovenia	**Abroad**	**Total**	**Share in Slovenia**	**Share abroad**
1. Revenues from operations and financing	27,332	13,080	40,412	67.6%	32.4%
2. Expenses from operating and financial liabilities	(12,904)	(9,571)	(22,475)	57.4%	42.6%
3. Assets	262,362	246,451	508,813	51.6%	48.4%
4. Liabilities	295,281	213,515	508,813	58.0%	42.0%

* Labour costs, costs of services and materials are not included in the segment analysis.

Cash flow statement

The cash flow statement has been composed according to format II following the indirect method. The basis for the cash flow statement is the company's profit and loss statement, the balance sheet statement and additional data from the company's analytical records.

In the Cash flow statement, due to being more comparable with cash proceeds and cash disbursement the company has based the balance sheet statement date conducted some adjustments etc. elimination of amortization costs, effective exchange rate differences, impairments and allowances…

Profit distribution proposal

Pursuant to paragraph 1, Article 58 of the Companies Act, the company management has presented a proposal on distribution of the net profit, which is in line with the guidelines set down by the management of the parent company: the net profit in the amount of 377 TEUR, which was generated in 2008, is earmarked for payment to parent company in full. Actual distribution of the balance sheet profit is subject to a resolution adopted at the company's general meeting of shareholders.

Events following the balance sheet statement date

We feel that there were no events following the balance sheet date that could significantly affect the financial statements of the company.

Important disclosures for financial year 2008

In February 2009, NLB Leasing Ljubljana sold it’s 75.1% share of investments in OL Nekretnine, Zagreb to company NLB Leasing Koper.

Financial Indicators

	2008	2007
1. Accounting ratios		
a) equity financing rate	6.84%	5.83%
equity/liabilities		
b) long-term financing rate	50.96%	55.74%
(capital + long-term liabilities) / liabilities		
2. Investment indicators		
a) operating fixed assets rate	2.94%	4.03%
tangible fixed assets in carrying value / assets		
b) long-term assets rate	70.24%	75.18%
long-term assets (excluding deferred taxes) / assets		
3. Horizontal financial structure indicators		
a) equity to operating fixed assets	2.33	1.45
capital / tangible fixed assets in carrying amount		
b) immediate solvency ratio	0.01	0.05
liquid assets / short-term liabilities		
c) quick ratio	0.03	0.09
(liquid assets + short-term receivables) / short-term liabilities		
d) current ratio	0.61	0.55
short-term assets / short-term liabilities		
4. Operating efficiency indicators		
a) operating efficiency ratio	0.57	0.71
operating revenues / operating expenses		
5. Profitability indicators		
a) net return on equity ratio	0.01	0.22
net profit for the financial year / average capital (excluding net profit)		
b) dividends to share capital ratio	0.28	0.28
dividends paid in the financial year / average share capital		

Financial Report NLB Leasing Group

In accordance with Slovenian Accounting Standards

Contents

PricewaterhouseCoopers d.o.o.
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Independent auditor's report

To the shareholders of NLB Leasing d.o.o. Ljubljana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **NLB Leasing Group** which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Slovenian Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the **NLB Leasing Group** as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with Slovenian Accounting Standards.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the Management Report as required by the Slovene Corporation Act.

We are required to read the Management Report and to express an opinion whether the Management Report is consistent with the consolidated financial statements of the **NLB Leasing Group**.

In our opinion, the Management Report is consistent with the accompanying consolidated financial statements of the **NLB Leasing Group** as of 31 December 2008.

Ljubljana, 4 May, 2009

PricewaterhouseCoopers d.o.o.

Mojca Vrečar Certified Auditor	Francois Mattelaer Partner

"Translation note: This version of our report is a translation from the original, which was prepared in Slovene language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation. This translation is provided for reference purposes only and is not to be signed."

Balance Sheet

In thousand EUR	N	31.12.2008	31.12.2007
Assets		**722,422**	**674,995**
A) Long-term assets		**437,200**	**440,133**
I. Intangible assets and long-term deferred cost and accrued revenues	**3.1.1**	**363**	**391**
1. Long-term property rights		340	358
2. Advances for intangible fixed assets		-	18
3. Other long-term deferred cost and accrued revenues		23	15
II. Property, plant and equipment	**3.1.2**	**44,529**	**41,151**
1. Land and buildings		6,435	6,537
a) land		2,213	2,217
b) buildings		4,222	4,320
2. Other plant and equipment		34,344	34,614
3. Property, plant and equipment being acquired		3,750	-
a) property, plant and equipment in course of construction		3,721	-
b) prepayments for property, plant and equipment		29	-
III. Investment property	**3.1.3**	**19,430**	**18,234**
IV. Long-term financial investments	**3.1.4**	**371,559**	**379,754**
1. Long-term financial investments, except loans		38	263
a) other long-term investments		38	263
2. Long-term loans and receivables from financial lease		371,521	379,491
a) long-term loans given to others		30,807	36,812
b) long-term receivables from financial lease		340,714	342,679
V. Long-term operating receivables	**3.1.5**	**7**	**88**
1. Long-term operating receivables		-	81
2. Long-term operating receivables to others		7	7
VI. Deferred tax assets	**3.1.6**	**1,312**	**515**
B) Current assets		**284,815**	**232,402**
I. Assets (disposal groups) held for sale	**3.1.7**	**6,308**	**2,963**
II. Inventories	**3.1.8**	**7,292**	**6,114**
1. Work in progress		4,314	4,262
2. Products and merchandise		2,978	1,852
III. Short-term financial investments	**3.1.9**	**223,878**	**157,040**
a) short-term loans		100,826	59,066
b) short-term receivables from financial lease		123,052	97,974
IV. Short-term operating receivables	**3.1.10**	**10,418**	**18,004**
1. Short-term operating receivables		3,929	6,236
2. Short-term receivables due from others		6,489	11,768
V.Cash	**3.1.11**	**36,919**	**48,281**
C) Short-term deferred costs and accrued revenues	**3.1.12**	**407**	**2,460**
D) Off-balance sheet assets	**3.3**	**196,748**	**181,282**

The notes on pages 91-113 form a component part of these financial statements.

In thousand EUR	N	31.12.2008	31.12.2007
Equity and liabilities		**722,422**	**674,995**
A) Equity		**39,141**	**32,110**
I. Called-up capital		**20,981**	**10,077**
1. Share capital		20,981	10,077
II. Capital surplus (share premium)		**7,275**	**6,742**
III. Revenue reserves		**3,323**	**3,337**
1. Legal reserves		431	445
2. Other revenue reserves		2,892	2,892
IV. Revaluation surplus		**2**	**2**
V. Retained earnings		**7,647**	**7,509**
VI. Net profit or loss for the period		**947**	**4,863**
VII. Consolidated equity adjustment		**(1,167)**	**(500)**
VIII. Minority interest		**133**	**80**
B) Provision and long-term accrued costs and deferred revenues		**1,721**	**2,263**
1. Provision for employees - pension plans	3.2.1	131	202
2. Other provisions	3.2.1	105	-
3. Long-term accrued costs and deferred revenues	3.2.2	1,485	2,061
C. Long-term liabilities		**353,587**	**402,393**
I. Long-term financial liabilities	**3.2.3**	**353,448**	**402,243**
1. Long-term financial liabilities to banks		352,945	402,243
2. Other long-term financial liabilities		503	-
II. Long-term operating liabilities	**3.2.4**	**78**	**98**
1. Other long-term operating liabilities		-	88
2. Long-term operating liabilities - advances		78	10
III. Deferred tax liabilities	**3.2.5**	**61**	**52**
D) Short-term liabilities		**327,782**	**238,120**
I. Short-term financial liabilities	**3.2.6**	**317,535**	**222,019**
1. Short-term financial liabilities to banks		317,535	222,019
III. Short-term operating liabilities	**3.2.7**	**10,247**	**16,101**
1. Short-term operating liabilities to suppliers		1,217	6,296
2. Short-term operating liabilities - advances		6,876	6,984
3. Other short-term operating liabilities		2,154	2,821
E) Short-term accrued costs and deferred revenues	**3.2.8**	**191**	**109**
F) Off balance sheet liabilities	**3.3**	**196,748**	**181,282**

The notes on pages 91-113 form a component part of these financial statements.

Income Statement

	In thousand EUR	N	2008	2007
1.	**Net sales revenues**	**4.1**	**14,897**	**13,813**
	b) revenues from operating lease and investment property		10,386	7,606
	c) other net revenues from sales of services		4,511	6,207
2.	**Changes in value of inventory products and unfinished production**	**4.2**	**78**	**3,941**
3.	**Other operating revenues (with revaluation operating revenues)**	**4.3**	**2,297**	**392**
	a) net gains on disposal of property, plant and equipment		1,073	182
	b) reversal of allowances from bad debts from previous periods		1,224	210
4.	**Costs of goods, materials and services**	**4.4**	**(5,532)**	**(11,507)**
	a) costs of materials used and goods sold		(1,413)	(6,300)
	b) costs of services		(4,119)	(5,207)
5.	**Labour costs**	**4.5**	**(4,672)**	**(4,107)**
	a) payroll costs		(3,345)	(2,913)
	b) social and security costs		(557)	(479)
	c) other labour costs		(770)	(715)
6.	**Write-downs in value**	**4.6**	**(11,387)**	**(6,513)**
	a) amortization and depreciation expenses		(7,575)	(4,397)
	b) revaluation operating expenses associated with intangible and tangible fixed assets - loss		(911)	(628)
	c) revaluation operating expenses associated with operating current assets		(2,901)	(1,488)
7.	**Other operating expenses**	**4.7**	**(1,143)**	**(1,057)**
8.	**Financial revenues from shares and interests**	**4.8**	**327**	**669**
	a) financial revenues from other investments		327	669
9.	**Financial revenues from loans and financial lease**	**4.9**	**107,852**	**55,420**
	a) financial revenues from loans		33,008	17,055
	b) financial revenues from financial lease		73,465	37,328
	c) financial revenues from impairment reversal		1,379	1,037
10.	**Financial revenue from operating receivables**	**4.10**	**6,906**	**2,790**
11.	**Financial expenses from impairment and write-offs from financial investments**	**4.11**	**(7,952)**	**(2,021)**
12.	**Financial expenses from financial liabilities**	**4.12**	**(94,995)**	**(40,421)**
	a) financial expenses from loans received from banks		(68,508)	(35,943)
	b) financial expenses from other financial liabilities		(26,487)	(4,478)
13.	**Financial expenses from operating liabilities**	**4.13**	**(5,168)**	**(4,473)**
	a) financial expenses from liabilities - suppliers		(1,176)	(3,761)
	b) financial expenses from other operating liabilities		(3,992)	(712)
14.	**Other revenues**	**4.14**	**605**	**219**
15.	**Other expenses**	**4.15**	**(184)**	**(51)**
16.	**Income tax**	**4.17**	**(1,634)**	**(1,971)**
17.	**Deferred taxes**	**4.17**	**707**	**9**
18.	**Net profit or loss for the period**	**4.16**	**1,002**	**5,132**
	a) majority shareholders		947	5,100
	b) minority shareholders		(55)	(32)

The notes on pages 91-113 form a component part of these financial statements.

Cash Flow Statements

	In thousand EUR	2008	2007
	Cash flow statement according to format II. (indirect method)		
A)	**Cash flow from operating activities**		
a)	**Items of income statement**		
	Operating revenues (except from revaluation) and financial revenue from operating receivables	15,666	22,672
	Operating expenses excluding amort. (except for reval.) and financial expenses from operating liabilities	(11,635)	(26,133)
	Income tax and other taxes, not included in operating expenses	(2,565)	(879)
		1,466	**(4,340)**
b)	**Changes of net current assets in balance sheet items (including accruals, provision, deferred receivables and tax liabilities)**		
	Opening less closing operating receivables	9,198	(33,887)
	Opening less closing deferred costs and accrued revenues	630	(1,851)
	Opening less closing deferred tax assets	-	(40)
	Opening less closing assets (disposal group) held for sale	224	(2,878)
	Opening less closing inventories	(1,353)	(1,395)
	Closing less opening operating liabilities	(3,590)	3,601
	Closing less opening accrued cost and deferred revenues and provision	(612)	2,279
	Closing less opening deferred tax liabilities	-	30
		4,497	**(34,141)**
c)	**Cash proceeds from operations or cash disbursement from operations (a+b)**	**5,963**	**(38,481)**
B)	**Cash flow from investing activities**		
a)	**Cash receipt from investing activities**		
	Interest and dividends received from investing activities	49,494	41,272
	Cash receipts from disposal of intangible assets	1	-
	Cash receipts from disposal of property, plant and equipment	3,485	5,674
	Cash receipts from disposal of investment immovable properties	150	208
	Cash receipts from disposal of long-term investments	198,487	212,731
	Cash receipts from disposal of short-term investments	42,781	121,001
		294,398	**380,886**
b)	**Cash disbursement from investment activities**		
	Cash disbursement to acquire intangible assets	(51)	(80)
	Cash disbursement to acquire property, plant and equipment	(19,089)	(36,211)
	Cash disbursement to acquire investment immovable properties	(633)	(5,210)
	Cash disbursement to acquire long-term investments	(238,615)	(339,046)
	Cash disbursement to acquire short-term investments	(57,064)	(157,839)
		(315,452)	**(538,386)**
c)	**Cash proceeds from investments or cash disbursement from investments (a+b)**	**(21,054)**	**(157,500)**
C)	**Cash flow from financing activities**		
a)	**Cash receipts from financing activities**		
	Cash proceeds from paid-in capital	10,904	8,097
	Cash proceeds from increase of long-term financial liabilities	93,854	224,535
	Cash proceeds from increase of short-term financial liabilities	299,452	283,077
		404,210	**515,709**
b)	**Cash disbursement from financing activities**		
	Interest paid on financing activities	(32,617)	(20,400)
	Cash repayments of equity	-	-
	Cash repayments of long-term financial liabilities	(71,858)	(70,980)
	Cash repayments of short-term financial liabilities	(289,586)	(218,770)
	Dividends and other profit shares paid	(4,404)	(1,686)
		(398,465)	**(311,836)**
c)	**Cash proceeds from financing or cash disbursement from financing (a+b)**	**5,745**	**203,873**
D)	**Cash and cash equivalents at end of period**	**36,919**	**48,281**
x)	**Net cash inflows or outflows for the period (addition for net cash Ac, Bc and Cc)**	**(9,346)**	**7,892**
y)	**Cash and cash equivalents at beginning of period**	**46,265**	**40,389**

Statement of changes in Equity

In thousand EUR	Called-up capital	Capital surplus	Revenue reserves		Revaluation surplus	Retained earnings	Net profit or loss for the period	Consolidated equity adjustments	Minority interest	Total equity
	Share capital		Legal reserves	Other revenue reserves		Net profit carried over	Net profit from the financial year			
Balance as of 1 January 2008	**10,077**	**6,742**	**445**	**2,892**	**2**	**7,509**	**4,863**	**(500)**	**80**	**32,110**
Transfer into capital accounts	**10,904**	**191**	**-**	**-**	**-**	**7**	**947**	**-**	**55**	**12,104**
Transfer of additional capital contributions	10,904	-	-	-	-	-	-	-	-	10,904
Transfer of income for the financial year	-	-	-	-	-	-	947	-	55	1,002
Other additions in capital	-	191	-	-	-	7	-	-	-	198
Transfer within capital accounts	**-**	**342**	**(14)**	**-**	**-**	**4,535**	**(4,863)**	**-**	**-**	**-**
Distribution of profit to other capital accounts by resolution of Management and Supervisory Board	-	-	-	-	-	4,863	(4,863)	-	-	-
Other transfer of capital	-	342	(14)	-	-	(328)	-	-	-	-
Transfer from capital accounts	**-**	**-**	**-**	**-**	**-**	**(4,404)**	**-**	**(667)**	**(2)**	**(5,073)**
Other capital decrease	-	-	-	-	-	-	-	(667)	(2)	(669)
Dividend payments	-	-	-	-	-	(4,404)	-	-	-	(4,404)
Final balance as of 31 December 2008	**20,981**	**7,275**	**431**	**2,892**	**2**	**7,647**	**947**	**(1,167)**	**133**	**39,141**

The notes on pages 91-113 form a component part of these financial statements.

In thousand EUR	Called-up capital	Capital surplus	Revenue reserves		Revaluation surplus	Retained earnings	Net profit or loss for the period	Consolidated equity adjustments	Minority interest	Total equity
	Share capital		Legal reserves	Other revenue reserves		Net profit carried over	Net profit from the financial year			
Balance as of 1 January 2007	**1,991**	**6,742**	**209**	**2,892**	**2**	**6,817**	**2,116**	**75**	**51**	**20,895**
Transfer into capital accounts	**8,086**	**-**	**-**	**-**	**-**	**-**	**5,100**	**-**	**32**	**13,218**
Transfer of additional capital contributions	8,086	-	-	-	-	-	-	-	-	8,086
Transfer of income for the financial year	-	-	-	-	-	-	5,100	-	32	5,132
Transfer within capital accounts	**-**	**-**	**237**	**-**	**-**	**2,116**	**(2,353)**	**-**	**-**	**-**
Distribution of profit to other capital accounts by resolution of Management and Supervisory Board	-	-	-	-	-	2,116	(2,116)	-	-	-
Other transfer of capital	-	-	237	-	-	-	(237)	-	-	-
Transfer from capital accounts	**-**	**-**	**(1)**	**-**	**-**	**(1,424)**	**-**	**(575)**	**(3)**	**(2,003)**
Other capital decrease	-	-	(1)	-	-	262	-	(575)	(3)	(317)
Dividend payments	-	-	-	-	-	(1,686)	-	-	-	(1,686)
Final balance as of 31 December 2007	**10,077**	**6,742**	**445**	**2,892**	**2**	**7,509**	**4,863**	**(500)**	**80**	**32,110**

Annex to the statement of changes in equity - balance sheet profit

In thousand EUR	2008	2007
Balance sheet profit		
Net profit for the financial year	947	5,100
Increase in reserves from profits (legal reserves)	-	(237)
Retained earnings	7,647	7,509
Balance sheet profit	**8,594**	**12,372**

Statement of management's responsibilities

The management hereby confirms the Group financial statements for the year ending on 31 December 2008 and the accompanying accounting policies and notes to the accounting policies of this annual report.

The management is responsible for the preparation of the annual report in a way as to be a true and fair presentation of the Group's assets and the results of its operations for the year ending on 31 December 2008.

The management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in preparing the financial statements. The management also confirms that financial statements, together with the notes hereto, have been prepared on the basis of assumption of going concern and in line with valid legislation and Slovenian Accounting Standards.

The management is also responsible for keeping proper accounting records, taking reasonable steps to safeguard assets and to prevent and detect fraud and other irregularities or discrepancies.

The tax authorities are entitled to inspect company operations at any time within five years following the year in which a tax assessment was due, which can consequentially give rise to additional tax liabilities, interest in arrears and penalties emanating from the Corporate Income Tax act (ZDDPO-2) or other taxes and charges. The management is not aware of any circumstances which could lead to eventual liabilities in this regards.

Samo Turk,
Member of Management Board

Borut Simonič,
Chairman of the Management Board

Notes to the Financial Statements

1 BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

The financial statements of NLB Leasing Group (hereinafter referred to as Group) have been prepared in accordance with the 2006 Accounting Standards (hereinafter referred to as SRS 2006) and the Companies Act (ZGD-1). The numbers presented in the financial statements are based on accounting documents and books of account that are managed in line with Slovenian Accounting Standards.

Along with the Group's financial statement, financial statements have also been drawn up for respective companies in line with local legislation. All subsidiaries where NLB Leasing Ljubljana has more than half of the voting rights, either directly or indirectly are fully consolidated.
Consolidated and individual financial statements are available at the company's registered office.

Preparation of financial statements considers basic accounting assumptions: basis of accrual, going concern and quality characteristics of financial statements; these are in particular: comprehensibility, compliance, reliability and comparability. The accounting guidelines, moreover, apply the basic accounting principles: precaution, priority of content over form and significance.

Items presented in financial statements of individual companies making up the Group are measured in the currency of the primary economic environment where the company operates. The financial statements are presented in Euros, which is the Group's functional and presentation currency. The profit and loss balance sheet of companies making up the Group and whose functional currency is different from the presentation currency is translated into presentation currency as followed:

- assets and liabilities are translated according to the final exchange rate on the balance sheet date;
- revenues, expenses and costs are translated according to average exchange rate;
- all accrued currency differences are recognized as capital elements.

Within the scope of consolidation, currency differences related to translation of net investments into foreign currency are recognized as special equity elements.

Subsidiaries of the Group are included in the Group financial statements according to the full consolidation method. The process of consolidation involves: eliminating the investment made by the parent company against the capital of the subsidiary, eliminating all receivables and liabilities due between Group companies, while revenues and expenses generated within the Group are also eliminated Harmonization of accounting policies within the group is ensured in order to guarantee suitable data. A minority share is presented in the statement of changes in equity.

2008 saw a merger of companies NLB Leasing Murska Sobota, d.o.o. and NLB Leasing Velenje, d.o.o. with NLB Leasing, d.o.o. Ljubljana. The merger was, in accordance with provisions of the introduction to the Slovene Accounting Standards 2006 and International Finance Reporting Standard 3, carried out at book value, as the companies merged were under common control.

Pursuant to the provisions of SRS 24 and SRS 25, the Group does not include items »in the Group« in the balance sheet or profit and loss statement. The balance of receivables and liabilities between companies within the NLB Group and currency differences within the NLB and NLB Leasing group are included in the scope of other items within the same category.

2 ACCOUNTING POLICIES

2.1 Intangible assets

Intangible assets include materialized costs of investment into others' tangible fixed assets, investments into acquired industrial property rights and other rights. They are non-monetary assets and generally do not exist in physical form.

Following initial recognition, intangible assets are measured using the cost method.

All intangible assets have a finite useful life. Their book value is reduced based on accumulated amortization and impairment losses. Intangible assets with a finite useful life are amortized within their respective useful life. Amortization is applied on a straight-line basis.

Carrying values of intangible assets must be assessed in detail at the end of each respective financial year. If the expected useful life of the respective intangible assets with a finite useful life differs significantly from the previous assessments and if expected economic benefits emanating from the said assets significantly change, it is necessary to suitably adjust the amortization period and method.

The difference between net return on sale and the book value of sold intangible assets is assigned to revaluation operating revenues, if the net return on sale is greater that the book value, or rather among revaluation operating expenses, if the book value is greater that the net return on sale.

The company also reviews whether a respective intangible asset was impaired on the date of drawing up the financial statements, namely by comparing its book value to its recoverable value. The recoverable value is the higher among the value in use and the net selling price. Any eventual established impairment is presented immediately in the profit and loss statement.

2.2 Tangible fixed assets

Tangible fixed assets are assets under ownership or financial lease which are used in creating products and rendering services or leasing out or for administrative purpose, and are expected to be used in more than one accounting period.

Tangible assets are initially recognized at cost. The cost of tangible fixed assets comprises: purchase price, import duties and other non-refundable charges and all other costs that may be directly attributable to bringing the assets to the location and condition for their intended use so far as it would be necessary, also an estimate of cost of decommissioning, removal and restoration. If the acquisition value of a tangible fixed asset is high, it is divided into parts thereof. Subsequently accrued costs which are linked to the said assets increase its acquisition value if future benefits rise in relation to preliminary estimates.

Following initial recognition, the company measures tangible fixed assets according to the cost model, which requires an asset to be measured at cost less accumulated depreciation and impairment losses.

Accounting for depreciation begins on the first day of the following month once the asset is fit for use. The Group uses a straight-line depreciation method. Depreciation is calculated based on the original acquisition value of depreciable assets, less the eventual estimated residual value. Depreciation in calculated at rates which reflect the useful life of the assets and are set for an individual fixed asset and provided for within the scope of amortization/depreciation notes.

The residual value and useful life of assets is reviewed on the balance sheet date and duly adjusted in so far as expectations differ from previous estimation.

Each year, the company also assesses whether there are signs indicating impairment of fixed assets. In case it is found that such indications are present, procedures that establish recoverable amounts are put into place. The recoverable amount is the value in use or net selling price, namely whichever is higher. If the recoverable amount is higher than book value, the asset does not require impairment, while on the contrary impairment is acknowledged immediately in the profit and loss statement.

2.3 Depreciation & amortization

Amortization and depreciation rates are determined by the company based on the useful life of respective tangible and intangible assets, whereby a straight-line amortization/depreciation method is applied.

Depreciation rates for tangible assets:

- buildings 2.0 - 3.0%
- computer equipment 20.0 - 50.0%
- freight vehicles 14.3 - 25.0%
- personal motor vehicles 10.0 - 50.0%
- other equipment 20.0 - 25.0%

Amortisation rates for tangible assets:

- materilalised costs of investment into other fixed assets 10.0 - 100.0%
- other tangible assets 10.0 - 25.0%

2.4 Financial investments

Financial investments are financial assets which are presented in the balance sheet statement as long-term and short-term financial investments. Long-term investments are those which the company owns for more than a year and does not intend to sell. Those long-term financial investments which mature within one year following the balance sheet statement date are transfered amongst short-term financial investments.

Upon initial recognition, financial investments may be classified as one of the following:

- financial assets measured at fair value through the profit and loss statement;
- financial investments held to maturity;
- loans and receivables;
- financial assets available for sale.

Financial investments of the company are represented by in group companies, long-term and short-term given loans and derivatives. The company has no other types of financial investments.

Revaluation of financial investment is change of its book value. It appears as revaluation of financial investment to its fair value, revaluation of financial investment due to impairment, revaluation of financial investment due to elimination of its impairment.

Financial assets are derecognised when contractual rights to cash flows expire or when the respective financial asset is transferred and the transfer meets the conditions for derecognition.

The book value of financial investments recognized in balance sheet statement represents a possible exposure to credit risk.

a) Derivatives

Derivatives are instruments whose value changes based on a change in a certain variable, such as the interest rate, currency, price, exchange rate, price index, creditworthiness and similar variables. Derivatives are always assigned by the company into the group of financial assets measured at fair value through profit and loss.

Derivatives are initially recognized in the balance sheet at cost, which is equal to the fair value of a received and given reimbursement. Derivatives are subsequently measured at fair value, which is duly determined based on their published market price, the discounted future cash flows model or by using pricing models.

b) Financial investment in loans and receivables from financial lease

Financial investments in loans and financial lease are measured based on amortized value which means that all expenses and revenues directly connected to a loan are accrued (credit or debit) and proportionately transfer to profit and loss statement income based on duration of the contract.

Upon concluding an agreement, a lease is classified as a finance lease when practically all risks and rewards linked to the ownership of the leased asset is transferred. Assets given into finance lease are stated as receivables in the value equal to the net investment upon initial recognition in the balance sheet. Receivables due for assets given into financial leasing are measured according to the difference between the sum of agreed rent and unguaranteed residual value of the asset and the sum of interest revenue included in the rent. All costs and revenues that are directly related to the contract are added or deducted from the initial value of the receivables and are gradually transferred to the profit and loss account, according to the duration of the contract. On that basis, the Group ensures the management of the receivables in accordance with the concept comparable to the amortized cost (and the effective interest trate). Interests (contractual and default) from long-term and short-term assets are charged in accordance with the contract or the law and are included in financial revenues.

Loans and receivables from a financial lease that are assumed to remain outstanding or will only be settled in part should be considered as doubtful, or rather questionable, if they are subject to legal proceedings.

Provisions (impairments) are formed on a quarterly basis. The methodology behind establishing provisions for company receivables is harmonized with International Finance Reporting Standards.

Provisions or impairments are carried out only in case the company, based on impartial evidence, evaluates that certain collateral of loans and receivables from a financial lease will not be able to be capitalized in accordance with a contract agreement, or are expected to bring a loss.

When the Group estimates that customers, based on their ratings, will repay their outstanding liability in full, provisions or impairment do not need to be disclosed.

All financial investments are individually reviewed, namely those loans and receivables from financial lease to citizens that are unpaid and matured over a certain number of days and over a certain amount. At other financial investment, provisions are not necessary unless there is an existing evidence for impairment. The rest of credit portfolios are divided within the credit group from A to E, based on maturity of the loan. All financial investments divided in group D and E, as well as highest receivables in A, B and C credit groups are individually reviewed. Provisions for the rest of financial investments, which are not individually reviewed or where individual review does not show any signs of impairments, are evaluated based on the total value of non-reviewed financial investments in a separate credit group multiplied by the share of average loss of individual impairment of financial investment from the same credit group.

Loans and receivables from a financial lease, which is expected not to be repaid in contract amount and due date, is necessary to be evaluated for its repayment. At the evaluation of repayment, it is necessary to consider the value of leased assets (market value) and value of any other additional security.

If the amount of loss is reduced as a result of an event which occurred after the impairment, the elimination of the impairment is performed through a reduction of the value adjustment.

The Group considers as bad investments all investments for which they do not obtain any (legal) options for recovery and therefore the amount of the loss is final. In case of late repayment of the investment, the amount of the impairment is included in the profit and loss statement.

Since the major portion of the company's portfolio is financial leasing, the security is assured with legal ownership over a leased asset until the final instalment is paid.

Financial investments denominated in a foreign currency on the balance sheet stattement date must be converted into domestic currency. Increase of financial investment enlarges financial revenues, and conversely a decrease of a financial investment enlarges financial expenses.

2.5 Inventories

Group inventories include particularly stocks of construction projects under development with the purpose of subsequent financial lease or sale, and stocks of merchandise.

Stocks are recognized in accounting records if it is probable that they will generate associated economic benefits, and if their acquisition value (cost) can be measured with a degree of reliability. Stocks are derecognized the moment when they are used or sold.

Stocks are initially recognized at cost (acquisition price), which is composed of the purchasing price, import and other dues and other direct costs of acquisition. The acquisition price is reduced for any granted discounts.

Work in progress is valued based on purchasing prices and associated costs, using the production costs method. In consumption of stock, the company follows the concept of first in, first out pricing (FIFO).

Stock revaluation is a change in its book value. It is carried out either at the end of the financial year or during the course thereof. Stocks are valued according to their carrying value or net realizable value, namely based on the lower of the two. Stocks are not revaluated based on an increase in value. Assets are revaluated due to impairment, if their book value exceeds their net realisable value.

2.6 Assets (disposal group) held for sale

Owned non-current assets are those whose carrying amount will be recovered mainly through selling the asset rather than through subsequent usage. This condition is only met when the asset is available for immediate sale in its current state. The management must be committed to sell, whereby the sale must be carried out within one year from the date of initial recognition as non-current assets held for sale. Owned non-current assets which are held for sale are measured based on their book value or fair value less for costs to sale, namely whichever is lower. Effects emanating from sale and revaluation are classified in the profit and loss statement as revaluation operating revenues or expenses.

Non-current assets held for sale include recovered vehicles, equipment and property of lessees due to default on their contractual obligations.

2.7 Receivables

Receivables are mostly due to customers (in connection with sold products, merchandise and rendered services and other sold assets) or other financiers of sold products and rendered services. Receivables can also be due to suppliers of the elements of the business process (advance payments, overpayments, securities…), employees, participants at the distribution of the profit or loss (receivables due to state from deferred tax), financiers and financial investment users.

Receivables are divided into long-term and short-term receivables according to their due date of payment. Long term operating receivables represent receivables due from customers, which become due within more than one year. The part of long-term receivables becoming due within a year of the balance sheet statement date is included amongst short-term operating receivables.

Receivables are initially recognized in amounts that emanate from corresponding documents, given that they will be paid.

a) Operating lease

A lease is classified as an operating lease when no important risks and rewards linked to the ownership of the leased asset are transferred. Assets assigned in operating lease are recognized in the balance sheet statement in line with their nature, whereby revenues from rents are recognized on a straight line basis over the lease term. Upon initial recognition the company follows a principle of content over form, whereby subsequent changes in estimates and circumstances do not cause changes to the lease classification.

At operative lease, security is ensured through legal ownership of the asset until settlement of the final lease instalment.

2.8 Deferred tax

Deferred tax assets are recognised for all deductible temporary differences, if it is highly probable that future taxable profit will exist against which taxable differencies can be utilised.

Deferred tax liabilities are amounts of income tax that will have to be paid in the future periods according to taxable temporary differences.

2.9 Investment property

Investment property is property which the company does not use directly in order to carry out its business activity, but is rather owned with the purpose of leasing out as operating lease and/out of capital appreciation.

Investment property is initially recognized based on its acquisition value (at cost), which is made up of the purchasing price and associated costs.

The investment property is subsequently measured using the fair value model. The fair value is determined by a chartered appraiser based on International Valuation Standards. The fair value is based on current market prices. Gains or losses emanating from the valuation according to the fair value are included in the profit and loss statement.

The group ranks the following amongst investment property:

- land owned to increase the value of long-term investments and not considered for sale in the near future through regular operations;
- land which the company has not determined future use for;
- owned buildings leased out on operating lease.

If the Group owns property where a part of a building is leased out, this part shall be amongst investment property, if the said part may be sold off separately. The part intended for own use is accounted for separately in the form of own fixed assets.

2.10 Cash and cash equivalents

Cash funds are initially recognized in the sum that emanates from the corresponding document. Cash funds expressed in foreign currency are converted into the domestic currency based on the exchange rate on the date of receipt.

Cash funds on foreign currency accounts are revaluated on a monthly basis according to the middle exchange rate of the Bank of Slovenia.

Cash funds include cash in hand, deposit money, cash items in the process of collection and cash equivalents; these are investments which may be converted quickly or in the near future into known cash sums and where the risk of a change in value is insignificant. These include short-term deposits and cash on deposit with an original maturity date of up to 90 days.

2.11 Accruals for financial assets and liabilities

Accruals are receivables and other assets and liabilities which are expected to originate in the coming period or periods and which are probable, whereby their amounts have been assessed with a degree of reliability. The purpose of accruals is to present all expenses and revenues in the period they relate to in the profit and loss statement, irrespective of whether they were paid at that time.

We distinguish deferred costs and accrued revenues and accrued expenses and deferred revenues. The former include deferred costs (expenses) and previously accrued revenues, while the latter include advance costs (expenses) and deferred revenues.

Accruals are not subject to revaluation. During the course of the financial year and in the course of drawing up the financial statements, however, it is necessary to check reality and entitlement to their inclusion, and adjust them accordingly in this regard.

2.12 Equity

The total equity of the company is required to be divided into share capital, capital reserves, reserves from profits, retained earnings from previous years, net profit or loss for the financial year and surplus from revaluation.

The share capital is recognized financial or in-kind contributions. The decisive element is the capital entered in the companies register.

Capital reserves are divided into: capital surplus, general capital revaluation adjustment and other capital reserves.

Reserves from profits are deliberately retained part of net profit from previous year, mainly for cover eventual losses in the future. Reserves dismember to legal reserves, reserves for own shares and interest, statutory reserves and other revenue reserves. Revenue Reserves are recognised by resolution of the designated body.

Retained earnings from previous years is recognised when resolution of profit distribution from a separate financial year is accepted excluding amounts for covering previous year losses, amounts for reserves and shares of capital owners.

Revaluation surplus refer to increase of book value of tangible fixed assets.

Dividends paid out to owners reduce the capital of the company in the period they were approved by the owners.

2.13 Provisions and long-term accrued costs and deferred revenues

Provisions are recognised if the Group has any legal or indirect liabilities which may be reliably assessed based on a past event and where it is probable that settlement of the said liabilities will require outflow of resources embodying economic benefits.

The Group has established provisions emanating from benefits of employees, which include long-service benefits, severance pay upon retirement and other.

Provision may be used only for the purpose for which it was originally recognised.

The Group's long-term accrued costs and deferred revenues include deferred deposits operating lease.

2.14 Liabilities

Short-term and long-term liabilities are initially recognised at sums that emanate from initial corresponding documents.

Long-term liabilities are disclosed as long-term financial liabilities and long-term operating liabilities. Long-term financial liabilities represent long-term loans. Long-term financial liabilities are increased by accrued interest reduced by repaid sums and eventual other forms of settlement, if an agreement has been concluded with respective creditors. The carrying value of long-term liabilities is equal to their original value, less for repayments of the principal and transfers among short-term liabilities, until there is a need for revaluation.

Short-term financial liabilities represent received short-term loans. Short-term operating liabilities are received advances and security from clients, liabilities to suppliers both home and abroad, liabilities for uncharged goods and services, liabilities towards employees, liabilities to state institutions and other liabilities.

Revaluation of liabilities in foreign currencies is carried out based on the middle exchange rate of the Bank of Slovenia on the balance sheet statement date.

2.15 Revenues

Revenues are divided among operating revenues, financial revenues and other revenues. Revenues are recognised if the increase in economic benefits in a respective period is linked to an increase in assets or reduction of debt, whereby the increase may be measured with a degree of reliability.

a) Operating revenues

Operating revenues are revenues from sales and other operating revenue associated with products and services.

Revenues from sales are made up of the selling price of sold products, merchandise and material, including rendered services within an accounting period. Revenues from sales of products, merchandise and materials are measured based on selling prices stated on invoices and other documents, less for any discounts approved upon sale or subsequently, even due to early payment. Revaluation operating revenues appear particularly upon sales of tangible fixed assets and intangible assets as surplus of their sales values above their book values.

b) Financial revenues

Financial revenues are revenues from investments. They appear in relation to financial investments and also receivables in the form of charged interest, shares in profits in others and revaluated financial revenues. Revaluation financial revenues appear upon derecognition of financial investments.

Financial revenues also include revenues from positive translation differences.

Revenues charged to clients upon concluding finance lease agreements are deferred according to the duration of the respective agreement. Only the part relating to the current accounting period shall be recognised amongst revenues.

c) Other revenues

Other revenues contains unusual items (extraordinary items) and other revenues that surplus profit and loss statement.

2.16 Expenses

Expenses are classified as operating expenses, financial expenses and other expenses.

a) Operating expenses

Operating expenses include all costs accrued in the financial year, itemised by, for example, costs of materials, costs of services, labour costs, depreciation and amortisation and other expenses.

Operating expenses from revaluation appear in relation to tangible fixed assets, intangible assets and current assets based on their impairment or sale below their book value.

b) Financial expenses

Financial expenses are expenses from financial liabilities from impairment and write-off's of financial investments. Expenses earmarked as financing include particularly charged real interest, while expenses for investments have the nature of financial expenses from revaluation, which appear in relation to financial investment due to their impairment. Financial expenses also include expenses emanating from negative currency translation differences.

Compensation paid to banks for concluded loan agreements are deferred according to the duration of the respective loan agreement. Expenses include recognition only of that part of the paid costs which refers to the current accounting period.

c) Other expenses

Other expenses include unconventional items (extraordinary expenses) and other expenses reducing the profit.

3 NOTES TO THE BALANCE SHEET ITEMS

3.1 Assets

3.1.1 Intangible assets

In thousand EUR	Materialised costs of investment into others' tangible fixed assets	Property rights	Total
Acquisition value			
Balance as of 1 January 2008	**243**	**362**	**605**
Opening balance of subsidiaries	-	3	3
Write-off	(88)	(81)	(169)
Acquisition	-	105	105
Transfer	(28)	28	-
Currency translation differences	(7)	(9)	(16)
Balance as of 31 December 2008	**120**	**408**	**528**
Value adjustment			
Balance as of 1 January 2008	**(59)**	**(188)**	**(247)**
Opening balance of subsidiaries	-	(3)	(3)
Write- off	43	81	124
Amortisation	(12)	(57)	(69)
Transfer from / to fixed tangible assets	14	(14)	-
Currency translation differences	-	7	7
Balance as of 31 December 2008	**(14)**	**(174)**	**(188)**
Balance as of 31 December 2007	**184**	**174**	**358**
Balance as of 31 December 2008	**106**	**234**	**340**

As of 31 December 2008 the group has not received any advance payments for intangible assets (2007: 18 thousand EUR).

In thousand EUR	Materialised costs of investments into others' tangible fixed assets	Property rights	Total
Acquisition value			
Balance as of 1 January 2007	**137**	**291**	**428**
Additions	106	73	179
Disposals	-	(2)	(2)
Balance as of 31 December 2007	**243**	**362**	**605**
Value adjustments			
Balance as of 1 January 2007	**(40)**	**(139)**	**(179)**
Disposals	-	2	2
Amortisation	(19)	(51)	(70)
Balance as of 31 December 2007	**(59)**	**(188)**	**(247)**
Balance as of 31 December 2006	**97**	**152**	**249**
Balance as of 31 December 2007	**184**	**174**	**358**

3.1.2 Tangible fixed assets

In thousand EUR	Land	Buildings	Buildings under construction	Equipment given into operating lease	Furniture and other equipment	Total
Acquisition value						
Balance as of 1 January 2008	**2,217**	**4,323**	**-**	**38,121**	**2,037**	**46,698**
Opening balance of subsidiaries	-	-	-	280	81	361
Write-off	-	-	-	(62)	(436)	(498)
Additions	-	31	3,721	18,942	417	23,111
Disposals	-	-	-	(14,009)	(79)	(14,088)
Transfer to/from tangible fixed assets	-	-	-	(116)	(79)	(195)
Currency translation differences	(4)	-	-	(296)	(25)	(325)
Balance as of 31 December 2008	**2,213**	**4,354**	**3,721**	**42,860**	**1,916**	**55,064**
Value adjustment						
Balance as of 1 January 2008	**-**	**(3)**	**-**	**(4,696)**	**(848)**	**(5,547)**
Opening balance of subsidiaries	-	-	-	(19)	(45)	(64)
Write-off	-	-	-	47	272	319
Disposals	-	-	-	1,962	38	2,000
Amortisation	-	(129)	-	(7,023)	(354)	(7,506)
Reduction of impairment	-	-	-	73	54	127
Currency translation differences	-	-	-	97	10	107
Balance as of 31 December 2008	**-**	**(132)**	**-**	**(9,559)**	**(873)**	**(10,564)**
Balance as of 31 December 2007	**2,217**	**4,320**	**-**	**33,425**	**1,189**	**41,151**
Balance as of 31 December 2008	**2,213**	**4,222**	**3,721**	**33,301**	**1,043**	**44,500**

As of 31 December 2008 the group has received advance payments in amount 29 thousand EUR for fixed assets. As of 31 December 2008 no tangible fixed assets of the Group is subject to a pledge in the form of security for a loan or any other grounds. As of 31 December 2008 the Group does not dispose with any fixed assets acquired through financial lease.

Future revenues from the operating lease are disclosed in the notes to Net revenue from sales in the Profit and Loss Statement.

In thousand EUR	Land	Buildings	Buildings under construction	Equipment given into operating lease	Furniture and other equipment	Total
Acquisition value						
Balance as of 1 January 2007	**903**	**7,364**	**3,050**	**16,695**	**4,588**	**32,600**
Write-off	-	-	-	(4)	(26)	(30)
Additions	1,187	2,179	-	29,986	502	33,854
Disposals	-	-	-	(8,571)	(43)	(8,614)
Transfer to/from tangible fixed assets	127	(5,220)	(3,050)	40	(2,974)	(11,077)
Currency translation differences	-	-	-	(25)	(10)	(35)
Balance as of 31 December 2007	**2,217**	**4,323**	**-**	**38,121**	**2,037**	**46,698**
Value adjustments						
Balance as of 1 January 2007	**-**	**(163)**	**-**	**(3,079)**	**(658)**	**(3,900)**
Write-off	-	-	-	4	25	29
Disposals	-	-	-	2,448	29	2,477
Amortisation	-	(3)	-	(4,077)	(247)	(4,327)
Transfers to/from tangible fixed assets	-	163	-	-	-	163
Currency translation differences	-	-	-	8	3	11
Balance as of 31 December 2007	**-**	**(3)**	**-**	**(4,696)**	**(848)**	**(5,547)**
Balance as of 31 December 2006	**903**	**7,201**	**3,050**	**13,616**	**3,930**	**28,700**
Balance as of 31 December 2007	**2,217**	**4,320**	**-**	**33,425**	**1,189**	**41,151**

3.1.3 Investment properties

In thousand EUR	Buildings	Land	Total
Balance as of 31 December 2007	**15,690**	**2,544**	**18,234**
Opening balance of subsidiaries	-	60	60
Additions	616	-	616
Reduction	(321)	-	(321)
Impairments	841	-	841
Balance as of 31 December 2008	**16,826**	**2,604**	**19,430**

Investment property includes: residential house in Celje in the amount of 60 TEUR, a parking lot in the value of 150 TEUR, apartments whose value amounts to 509 TEUR , a part of a parking lot and office building in Ljubljana in the value of 863 TEUR, part of an office building in Kranj in the value of 2,844 TEUR, land in Otiški Vrh in amount of 2,332 TEUR, business offices in Republika Srbska, BIH, in amount of 3,607 TEUR and a business building in Podgorica in amount of 9,065 TEUR.

The enhancement of the investment property at NLB Leasing Podgorica was made on the basis of a valuation of the official valuer.

In 2008, recognized revenues from rents from investment property amounted to 2,061 TEUR (2007: 1,763 TEUR).

2008 saw no major costs of maintenance and repair of investment property.

3.1.4 Long-term financial investments

In thousand EUR	2008	2007
Long-term investments, excluding loans	**38**	**263**
Other long-term investments	38	263
Long-term given loans	**30,807**	**36,812**
Long-term loans given to others	70,708	39,624
Transfer to short-term	(39,612)	(2,262)
Impairment of values of given long-term loans	(289)	(550)
Long-term receivables from operating lease	**340,714**	**342,679**
Long-term receivables from operating lease to others	459,554	438,697
Transfer to short-term	(111,409)	(94,289)
Impairment of values of given receivables from operating lease	(7,431)	(1,729)
Total	**371,559**	**379,754**

The item “other long-term financial investments” includes receivables due from NLB, d.d. emanating from valuation of derivatives used to hedge interest rate risk (Interest Rate Swap - IRS), which are designated and measured at fair value through profit and loss.

a) Statement of changes in other financial investments and long-term given loans

In thousand EUR	Measurement of derivatives	Long-term loans to others
Acquisition value		
Balance as of 1 January 2008	**263**	**37,362**
Opening balance of subsidiaries	-	20
Increase	38	47,738
Reductions	(263)	(54,031)
Currency translation differences	-	2
Balance as of 31 December 2008	**38**	**31,091**
Impairments		
Balance as of 1 January 2008	**-**	**(550)**
Opening balance of subsidiaries	-	(8)
Increase	-	(11)
Reductions	-	285
Balance as of 31 December 2008	**-**	**(284)**
Value as of 1 January 2008	**263**	**36,812**
Value as of 31 December 2008	**38**	**30,807**

b) Statement of changes in long-term given financial lease

In thousand EUR	Receivables from financial lease of equipment	Receivables from financial lease of property	Total
Acquisition value			
Balance as of 1 January 2008	**200,790**	**143,618**	**344,408**
Opening balance of subsidiaries	4,498	2,476	6,974
Increase	233,614	43,528	277,142
Reduction	(214,928)	(58,654)	(273,582)
Currency translation differences	(6,507)	(290)	(6,797)
Balance as of 31 December 2008	**217,467**	**130,678**	**348,145**
Impairment			
Balance as of 1 January 2008	**(1,479)**	**(250)**	**(1,729)**
Opening balance of subsidiaries	(814)	-	(814)
Increase	(4,715)	(1,341)	(6,056)
Write-offs	56	16	72
Reduction	1,002	81	1,083
Currency translation differences	13	-	13
Balance as of 31 December 2008	**(5,937)**	**(1,494)**	**(7,431)**
Value as of 1 January 2008	**199,311**	**143,368**	**342,679**
Value as of 31 December 2008	**211,530**	**129,184**	**340,714**

The company records its long-term receivables from financial lease according to the net principle, whereby the balance is reduced by deferred approval commission which relate to concluded leasing agreements and eventual adjustments in value of receivables in line with the adopted methodology.

Receivables from financial lease are secured with ownership over the leased assets. In addition to the said security, there are other forms of security in place, such as bills of exchange, surety, mortgage etc.

The part of long-term receivables from financial lease which become due within 12 months following the balance sheet date is transferred among short-term financial receivables.

c) Analysis of long-term and short-term receivables from financial lease according to their maturity

In thousand EUR	Gross receivables	Deferred revenues	Carrying value
Up to 1 year	158,439	(34,047)	124,392
From 1 to 5 years	319,836	(54,707)	265,129
Over 5 years	101,708	(18,692)	83,016
Total	**579,983**	**(107,446)**	**472,537**

3.1.5 Long-term operating receivables

In thousand EUR	2008	2007
Other long-term operating receivables	7	88
Total	**7**	**88**

Long-term operating receivables represents cash instalments in Housing reserve fund.

3.1.6 Deferred tax assets

In thousand EUR	2008	2007
Deferred tax for receivables (impairment)	1,215	172
Deferred tax for provisions made for employees	20	29
Deferred tax for fixed assets - impairments	26	20
Deferred tax for long-term investments - impairments	11	13
Deferred tax for inventories - impairments	3	281
Tax non-recognized amortisation	37	-
Total	**1,312**	**515**

Deferred tax assets represent the amount of income tax which will be reimbursed in the forthcoming periods with regard to deductible temporary differences.

3.1.7 Assets (disposal group) held for sale

In thousand EUR	Repossessed vehicles	Repossessed equipment	Repossessed property	Total
Acquisition value				
Balance as of 1 January 2008	**448**	**30**	**3,918**	**4,396**
Increase	2,129	-	1,093	3,222
Reduction	(895)	(23)	(251)	(1,169)
Transfer from inventories	201	-	-	201
Currency translation differences	(7)	-	-	(7)
Balance as of 31 December 2008	**1,876**	**7**	**4,760**	**6,643**
Impairments				
Balance as of 1 January 2008	**(107)**	**-**	**(1,326)**	**(1,433)**
Reduction	107	-	1,041	1,148
Transfer	(50)	-	-	(50)
Balance as of 31 December 2008	**(50)**	**-**	**(285)**	**(335)**
Value as of 1 January 2008	**341**	**30**	**2,592**	**2,963**
Value as of 31 December 2008	**1,826**	**7**	**4,475**	**6,308**

Among the assets held for sale, the company includes inventory of property and equipment which was recovered from lessees based on defaulting on their contractual obligations. All assets are in the process of being sold and are expected to be sold in 2009.

3.1.8 Inventories

In thousand EUR	Inventories of work in progress	Products and merchandise goods	Other merchandise	Total
Balance as of 1 January 2008	**4,262**	**1,608**	**295**	**6,165**
Opening balance of subsidiaries	-	-	26	26
Increase	1,102	1,666	3	2,771
Reduction	(1,050)	(307)	(114)	(1,471)
Transfer from/to inventories	-	-	(201)	(201)
Currency translation differences	-	-	2	2
Balance as of 31 December 2008	**4,314**	**2,967**	**11**	**7,292**
Impairments				
Balance as of 1 January 2008	**-**	**-**	**(51)**	**(51)**
Transfer	-	-	51	51
Balance as of 31 December 2008	**-**	**-**	**-**	**-**
Value as of 1 January 2008	**4,262**	**1,608**	**244**	**6,114**
Value as of 31 December 2008	**4,314**	**2,967**	**11**	**7,292**

The item work in progress includes construction of a property earmarked for later sale or financial lease, while the item stock of merchandise includes already constructed property which is held for sale. In the previous year the company has not pledged inventories as guarantee for payment.

The inventory of stocks and assets found no surplus or shortfalls in 2008.

3.1.9 Short-term financial investments

In thousand EUR	2008	2007
Short-term loans given to others	61,694	56,810
Short-term share of long-term loans given to others	39,612	2,262
Short-term receivables from financial lease	124,392	98,793
Impairments	(1,820)	(825)
Total	**223,878**	**157,040**

Short-term deposits with original maturity of up to 90 days are included within cash and cash equivalents.

a) Statement of changes in short-term given loans

In thousand EUR	Short-term loans given to other	Short-term receivables from operating lease	Total
Acquisition value			
Balance as of 1 January 2008	**59,072**	**98,793**	**157,865**
Opening balance of subsidiaries	3,186	3,723	6,909
Increase	75,251	124,478	199,729
Reduction	(35,690)	(103,446)	(139,136)
Currency translation differences	(513)	844	331
Balance as of 31 December 2008	**101,306**	**124,392**	**225,698**
Impairments			
Balance as of 1 January 2008	**(6)**	**(819)**	**(825)**
Increase	(758)	(530)	(1,288)
Reduction	282	-	282
Revaluation	2	9	11
Balance as of 31 December 2008	**(480)**	**(1,340)**	**(1,820)**
Value as of 31 December 2007	**59,066**	**97,974**	**157,040**
Value as of 31 December 2008	**100,826**	**123,052**	**223,878**

b) Elimination of items at consolidation of financial investments from loans and receivables from financial lease

In thousand EUR	
Company	
NLB Leasing Beograd	109,086
NLB Leasing Sarajevo	41,367
NLB Leasing Podgorica	31,130
NLB Leasing Sofija	8,613
NLB Real Estate	1,027
OL Nekretnine	1,265
Total	**192,488**

3.1.10 Short-term operating receivables

In thousand EUR	2008	2007
Short-term receivables due from buyers	**3,929**	**6,236**
Short-term receivables due from domestic buyers	9,872	6,772
Impairment of short-term receivables due from buyers	(5,943)	(536)
Given short-term advances and securities	**2,912**	**8,579**
Other given short-term advances and overpayments	2,912	8,579
Other short-term receivables	**3,577**	**3,189**
Short-term receivables due from the state	3,165	1,964
Others short-term receivables	441	1,244
Impairment of other short-term receivables	(29)	(19)
Total	**10,418**	**18,004**

Short-term advances in the amount of 2,912 TEUR (2007: 8,579 TEUR) refer to payments to suppliers for undelivered goods and services. The largest share is represented by advances for purchase of equipment earmarked for financial lease.

Receivables due from the state in the most part represent receivables from income tax in amount of 1,303 TEUR, value added tax in amount of 1,687 TEUR (2007: 1,582 TEUR) and withholding tax in the amount of 175 TEUR (2007: 267 TEUR).

a) Statement of changes in short-term operating receivables

In thousand EUR	Short-term receivables due from buyers	Short-term advances	Other short-term receivables	Total
Acquisition value				
Balance as of 1 January 2008	**6,772**	**8,579**	**3,208**	**18,559**
Opening balance of subsidiaries	7,914	150	184	8,248
Increase	43,844	41,251	42,594	127,689
Reduction	(48,656)	(47,069)	(42,362)	(138,087)
Currency translation differences	(2)	1	(18)	(19)
Balance as of 31 December 2008	**9,872**	**2,912**	**3,606**	**16,390**
Impairments				
Balance as of 1 January 2008	**(536)**	**-**	**(19)**	**(555)**
Opening balance of subsidiaries	(4,433)	-	(222)	(4,655)
Increase	(2,691)	-	-	(2,691)
Write-off	1,684	-	200	1,884
Reduction	33	-	-	33
Currency translation differences	-	-	12	12
Balance as of 31 December 2008	**(5,943)**	**-**	**(29)**	**(5,972)**
Value as of 1 January 2008	**6,236**	**8,579**	**3,189**	**18,004**
Value as of 31 December 2008	**3,929**	**2,912**	**3,577**	**10,418**

3.1.11 Cash and cash equivalents

In thousand EUR	2008	2007
Cash in hand	**-**	**4**
Cash in hand	-	4
Balances at banks an other financial institutions	**36,919**	**48,277**
Cash on accounts	22,587	4,349
Short-term deposits and call deposits	14,332	43,928
Total	**36,919**	**48,281**

Short-term deposits have an original maturity date of less than 90 days. The item Cash and cash equivalents includes the obligatory reserves, which is, according to law regulations, formed by NLB Leasing Beograd.

3.1.12 Short-term deferred costs and accrued revenues

In thousand EUR	2008	2007
Short-term deferred costs	279	1,494
Short-term accrued revenues	9	778
VAT from received advance payments	119	188
Total	**407**	**2,460**

The decrease in short-term deferred costs and accrued revenues is mostly influenced by short-term deferred costs from 2007 in the amount of 1,422 TEUR emanating from financing due to an increase in the scope of borrowings. In 2008 deferred costs reflects as a decrease of financial liabilities. In year 2008 mostly of deferred cost presents scholarship for employees and insurances.

Accounted provisions in year 2007 were used up in the current financial year.

3.2 Equity and liabilities

3.2.1 Provisions

In thousand EUR	Provisions for long service benefits	Provisions for severance pay upon retirement	Provisions for outstanding leave of absence	Provisions for future liabilities	Total
Balance as of 1 January 2008	**37**	**119**	**46**	**-**	**202**
Opening balance of subsidiaries	14	-	-	107	121
Additonally formed	-	31	-	-	31
Used	-	(37)	-	-	(37)
Abolished / transfered	(26)	(7)	(46)	-	(79)
Currency translation differences	-	-	-	(2)	(2)
Balance as of 31 December 2008	**25**	**106**	**-**	**105**	**236**

In year 2008 the group has, in accordance with International Financial Reporting Standard 19, once again calculated employers' liabilities for long service benefits and severance pay upon retirement, but only for NLB Leasing Ljubljana, while the calculation was not necessary for other companies.

Provisions for outstanding leave absence were transferred to short-term accruals.

3.2.2 Long-term accrued costs and deferred revenues

Long-term accrued costs and deferred revenues include long-term deposits for operating lease in a total value of 1,485 TEUR (2007: 2,061 TEUR).

3.2.3 Long-term financial liabilities

In thousand EUR	2008	2007
Long-term loans hired from NLB Group companies	**121,506**	**137,731**
Long-term loans hired from NLB Group companies	184,402	146,256
Transfer to short-term parts	(62,896)	(8,525)
Long-term loans hired from domestic banks	**144,038**	**172,455**
Long-term loans hired from domestic banks	201,677	215,379
Transfer to short-term parts	(57,639)	(42,924)
Long-term loans hired from foreign banks	**87,401**	**92,057**
Long-term loans hired from foreign banks	127,213	114,182
Transfer to short-term parts	(39,812)	(22,125)
Other long-term financial liabilities	**503**	**-**
Total	**353,448**	**402,243**

3.2.4 Long-term operating liabilities

In thousand EUR	2008	2007
Other long-term operating receivables	-	88
Liabilities based on advances	78	10
Total	**78**	**98**

3.2.5 Deferred tax liabilities

In thousand EUR	2008	2007
Deferred tax liabilities	61	52
Total	**61**	**52**

Deferred tax liabilities refer to deductible temporary differences within the scope impairment of fixed assets of NLB Leasing Pogorica and NLB Real Estate Beograd.

3.2.6 Short-term financial liabilities

In thousand EUR	2008	2007
Short-term loans hired from NLB Group companies	**174,528**	**42,626**
Short-term loans hired from NLB Group companies	111,632	34,101
Short-term share of long-term loans hired from NLB Group companies	62,896	8,525
Short-term loans hired from domestic banks	**101,467**	**56,281**
Short-term loans hired from domestic banks	43,828	13,357
Short-term share of long-term loans hired from domestic banks	57,639	42,924
Short-term loans hired from foreign banks	**41,540**	**123,112**
Short-term loans hired from foreign banks	1,728	100,987
Short-term share of long-term loans hired from foreign banks	39,812	22,125
Total	**317,535**	**222,019**

a) Maturity of financial liabilities

In thousand EUR				
Remaining balance due as of 31 December 2008	**up to 1 year**	**from 1 to 5 years**	**over 5 years**	**Total**
From NLB Group banks	174,528	121,227	782	296,537
From other banks	143,007	186,793	44,646	374,446
Total	**317,535**	**308,020**	**45,428**	**670,983**

In thousand EUR				
Remaining balance due as of 31 December 2007	**up to 1 year**	**from 1 to 5 years**	**over 5 years**	**Total**
From NLB Group banks	42,626	132,259	5,472	180,357
From other banks	179,393	213,635	50,877	443,905
Total	**222,019**	**345,894**	**56,349**	**624,262**

Long-term and short-term liabilities are guaranteed with bills of exchange, pledged receivables and/or soft letters of comfort from the parent company. NLB Leasing Ljubljana is also involved as guarantor within the scope of long-term loans of Optima Leasing Zagreb in the amount of 20,095 TEUR (15,944 TEUR).

3.2.7 Short-term operating liabilities

In thousand EUR	2008	2007
Short-term liabilities to suppliers	**1,217**	**6,296**
Short-term liabilities to suppliers	826	3,515
Short-term liabilities for uncharged goods and services	391	2,781
Received short-term advances and security	**6,876**	**6,984**
Received short-term advances	3,968	6,008
Received short-term security from lessees	2,908	976
Short-term liabilities to employees	**152**	**196**
Short-term liabilities for net salaries and wage compensation	119	167
Short-term liabilities for other income from employment	33	29
Liabilities to state and other institutions	**1,010**	**2,178**
Liabilities for charged VAT	481	860
Liabilities for income tax	309	804
Other short-term liabilities to state and other institutions	220	514
Other short-term liabilities	**992**	**447**
Total	**10,247**	**16,101**

Liabilities for uncharged goods and services relate to construction development in 2008. Goods and services were accounted for as per the respective contract, while the company has yet to receive invoices for rendered services and delivered goods.

Other short-term liabilities to state and other institutions are predominantly represented by liabilities for taxes and contributions due for salaries and the liability of Optima Leasing Zagreb based on 5% property sales tax.

3.2.8 Short-term accrued costs and deferred revenues

In thousand EUR	2008	2007
Accrued costs and expenses	154	92
Short-term deferred revenues	37	17
Total	**191**	**109**

Short-term accrued costs and deferred revenues include accrued costs and calculated bonuses pursuant to individual contracts in the amount of 38 TEUR (2007: 41 TEUR) and accrued costs for outstanding leave absence in current financial year in amount of 70 TEUR (2007: 46 TEUR) that were in 2007 accounted for provisions.

Accruals from 2007 were used up in the current financial year.

3.3 Off-balance sheet assets and liabilities

In thousand EUR	2008	2007
Given guarantees	101	250
Derivatives-SWAP	19,916	15,906
Claims assigned for loan security	1,114	6,000
Undrawn part of credit line with bank in NLB Group	600	604
Liabilities from received security	62	160
Received credit lines	7,464	17,200
Other received security	144,280	141,162
Off balance factoring	22,776	-
Other	435	-
Total	**196,748**	**181,282**

The largest part of other received security in the Group in the amount of 101,871 TEUR (2007: 102,214 TEUR) is represented by promissory notes used as security instruments within the scope of operations on the Croatian market.

3.3.1 Maturity of off-balance sheet assets/liabilities

In thousand EUR	2008	2007
To 1 year	21,804	24,941
From 1 to 5 years	164,266	139,638
Over 5 years	10,678	16,703
Total	**196,748**	**181,282**

4 NOTES TO ITEMS IN THE PROFIT AND LOSS STATEMENT

4.1 Net sales revenues

In thousand EUR	2008	2007
Net revenue from operating lease	8,325	5,843
Revenues from investment property	2,061	1,763
Net revenue from sales of merchandise	466	3,061
Net revenue from sales of products	1,107	442
Other net sales revenues	2,938	2,704
Total	**14,897**	**13,813**

Net revenues from sales of product relate to the sale of the property in the amount of 1,107 TEUR (2007: 442 TEUR) that NLB Leasing Ljubljana started to build in 2007.

Net revenues from sales of merchandise in the amount of 466 TEUR were generated through the sale of a property by NLB Leasing Ljubljana (2007: 3,015 TEUR). The property was bought and sold in the current financial year.

Other net sales revenues in the amount of 2,938 TEUR (2007: 2,704 TEUR) are revenues generated from payment reminders, handling charges or approval commission based on operating lease and handling charges of early termination of lease agreement. The remainder is generated from sales of other services, which respective companies render for their lessees (insurance, operating lease approval fees, etc.)

All net sales revenues are measured based on sales prices that were stated on invoices or other corresponding documents.

Net revenues from operating lease are represented by monthly rents for use of the lease asset. The amount of rents for operating lease that Group is going to gain in the future based on currently contracts amounts to 51,034 TEUR:

- up to 1 year 10,981 TEUR
- from 1 to 5 years 25,139 TEUR
- over 5 years 14,914 TEUR

As of 31 December 2008, the company also concluded some property lease agreements in addition to operating lease contracts, with the former included amongst investment property in the statement of financial position. The features of the agreements are as follows:
- five business premises lease agreements on location at Šlandrova Street, whose total non-discounted value amounts to 362 TEUR;
- parking lot lease agreements, which the company has classified as investment property, with a lease value of 250 EUR/month;
- residential property lease agreements, with a total rental value of 500 EUR/month;
- lease of an office building in Podgorica, whose total rent value amounts to 65,500 EUR /month;
- lease of offices in Republika Srbska and Bosnia and Herzegovina, whose total rental value amounts to 28,450 EUR/month.

4.2 Changes in value of inventory products and unfinished production

The change in the value of finished goods and work in progress amounting to 87 TEUR (2007: 3,941 TEUR) refers to capitalised costs of inventory in relation to development and construction, based on the applied concept of presenting costs according to their nature ("nature of cost method").

4.3 Other operating revenues (with revaluation operating revenues)

In thousand EUR	2008	2007
Operating revenues from revaluation in relation to fixed assets	1,073	182
Operating revenues from revaluation - reversal of allowance for bad debts	1,224	210
Total	**2,297**	**392**

Operating revenues from revaluation in relation to fixed assets represent profits from sales of own fixed assets (motor vehicles in majority) which were given out for operating lease.

Operating revenues from reversal of allowance for bad debts are revenues emanating from reversal of impairments which were made in previous financial periods. This includes elimination of previously established value adjustments (impairments) from loans and financial lease receivables of equipment and property.

4.4 Costs of goods, materials and services

In thousand EUR	2008	2007
Cost of goods sold	**(435)**	**(2,003)**
Costs of materials	**(978)**	**(4,297)**
Costs of materials	(794)	(4,066)
Energy costs	(59)	(51)
Costs of spare parts for fixed assets and costs of materials thereof	(4)	(2)
Small tools write-offs	(5)	(27)
Costs of office materials and technical literature	(108)	(132)
Other costs of materials	(8)	(19)
Costs of services	**(4,119)**	**(5,207)**
Costs of postal, telegraph and telephone services, including transport costs	(379)	(327)
Costs of services relating to maintenance of tangible fixed assets	(570)	(437)
Rents	(375)	(490)
Reimbursements to workers for work-relating activities	(176)	(118)
Costs of payment transactions and banking services, incl. insurance premiums	(349)	(481)
Costs of intellectual services	(871)	(663)
Costs of fairs, advertising and entertaiment	(591)	(835)
Costs of services rendered by individuals who are not registered as a business entity, including dues which are charged to the company	(162)	(98)
Costs of other services	(646)	(1,758)
Total	**(5,532)**	**(11,507)**

Costs of materials emanate predominantly from the construction situations for further property development of NLB Leasing Ljubljana.

The largest share of costs of other services is represented by costs of project documentation and costs of connections at property development. In abovementioned costs are also included costs accrued due to recovery of equipment based on defaults on contractual provisions.

In 2008, the Group had 375 TEUR worth costs from lease of office space (2007: 490 TEUR). Majority of other group companies have long-term lease agreements, subject to termination with preliminary notice (except for NLB Leasing Sarajevo). The total cost of rents amounts to 28 TEUR/month (2007: 32 TEUR/month, without the rent that NLB Leasing Ljubljana paid before moving to their own business premises).

4.5 Labour costs

In thousand EUR	2008	2007
Salaries and wages	(3,345)	(2,913)
Costs of additional pension insurance of employees	(121)	(74)
Pay for annual leave, reimbursements and other earnings of employees	(512)	(456)
Employer's contribution from salaries, reimbursements, benefits, etc.	(557)	(479)
Other employer's dues from salaries, reimbursements, benefits, etc.	(66)	(131)
Provision for outstanding leave of absence	(68)	(54)
Other labour costs	(3)	-
Total	**(4,672)**	**(4,107)**

The increase in costs of labour has been done in particular to new recruitment, whereby the number of employees went from 115 to 137 (it should be taken into consideration that 7 employees joined NLB Leasing Ljubljana from the merged NLB Leasing Velenje). The remaining effect of an increase should be put down to the raise in starting salaries in respective countries.

4.6 Write-downs in value

In thousand EUR	2008	2007
Amortisation and depreciation	**(7,575)**	**(4,397)**
Amortisation of intangible long-term assets	(69)	(70)
Depreciation of the buildings	(129)	(3)
Depreciation of equipment and replacement parts	(7,377)	(4,324)
Operating expenses from revaluations	**(3,812)**	**(2,116)**
Operating expenses from revaluations of intangible long-term assets and tangible fixed assets	(911)	(628)
Operating expenses from revaluations in relation to short-term assets, excluding financial investments and investment property	(2,901)	(1,488)
Total	**(11,387)**	**(6,513)**

Costs of depreciation of equipment and spare parts are up on the previous year due to an increase in turnover generated by the Group from operating lease at the end of 2007 and a slight increase of the operating lease in the current financial year. The purchasing value of fixed assets given into operating lease in year 2007 amounted to 38,181 TEUR, while the figure for 2008 was as high as 42,860 TEUR.

Depreciation of the buildings emanate predominately from depreciation of the NLB Leasing Ljubljana building (from end of the 2007) and depreciation of the NLB Leasing Sarajevo building.

Operating expenses from revaluation in relation to fixed assets refer to losses incurred in sales of leased motor vehicles (operating lease), along with impairment of leased motor vehicles – impairment on market value.

Operating expenses from revaluation relating to short-term assets refer to newly formed value adjustments for receivables due from loans and financial lease in line with the adopted methodology.

4.7 Other operating expenses

In thousand EUR	2008	2007
Dues which are not dependent on labour costs or other types of costs	(694)	(452)
Other costs	(449)	(605)
Total	**(1,143)**	**(1,057)**

Dues independent from labour costs include 457 TEUR worth of withholding tax from interest emanating from loans hired abroad (2007: 447 TEUR).

4.8 Financial revenues from shares and interests

In thousand EUR	2008	2007
Financial revenues from other investments	327	669
Total	**327**	**669**

Financial revenues from other investments include revenues from deposits and funds on accounts amounting to 72 TEUR (2007: 209 TEUR), revenues from financial assets measured at fair value through profit and loss in the amount of 43 TEUR (2007: 392 TEUR) and revenues from interest on swap agreements amounting to 212 TEUR (2007: 22 TEUR).

4.9 Financial revenues from loans and financial lease

In thousand EUR	2008	2007
Financial revenues from loans given to other companies	33,008	17,055
Financial revenues from financial lease	73,465	37,328
Financial revenues from impairment reversal	1,379	1,037
Total	**107,852**	**55,420**

A smaller share of financial revenues refers to charged interests based on loan and leasing agreements. The majority, on the other hand, is represented by currency translation differences, which stem particularly from the volatility of the Serbian Dinar and Croatian Kuna.

Financial revenues from impairment reversal refer to previously formed value adjustments for given loans and financial lease.

4.10 Financial revenues from operating receivables

In thousand EUR	2008	2007
Finanacial revenues from operating receivables to others	6,906	2,790
Total	**6,906**	**2,790**

The majority of financial revenues from operating receivables are represented by currency translation differences in NLB Leasing Beograd and Optima Leasing.

4.11 Financial expenses from impairments and investment write-offs

In thousand EUR	2008	2007
Expenses from impairments	(7,952)	(2,021)
Total	**(7,952)**	**(2,021)**

Financial expenses from impairments include impairments and write-offs of given loans and financial lease in the amount of 6,278 TEUR (2007: 1,863 TEUR) and valuation for derivatives amounting to 772 TEUR (2007: 158 TEUR).

4.12 Financial expenses from financial liabilities

In thousand EUR	2008	2007
Financial expenses from received loans	(68,508)	(35,943)
Financial expenses from other financial liabilities	(26,487)	(4,478)
Total	**(94,995)**	**(40,421)**

An important share of financial expenses is made up of currency translation differences, predominately due to volatility of the Serbian Dinar and Croatian Kuna.

4.13 Financial expenses from operating liabilities

In thousand EUR	2008	2007
Financial expenses from liabilities to suppliers and bills of exchange payable	(1,176)	(3,761)
Financial expenses from other operating liabilities	(3,992)	(712)
Total	**(5,168)**	**(4,473)**

Most of the financial expences from operating liabilities result from negative currency difference in subsidiaries.

4.14 Other revenues

In thousand EUR	2008	2007
Received compensation and penatly fees	279	16
Revenues from sale of investment property	42	-
Other extraordinary revenues	284	203
Total	**605**	**219**

Received compensation and penalty fees result from financial and operating lease agreements.

4.15 Other expenses

In thousand EUR	2008	2007
Penalty charges	(52)	(3)
Other expenses	(132)	(48)
Total	**(184)**	**(51)**

Other expenses are made up of extraordinary expenses, unnecessary operating costs and donations.

4.16 Net profit or loss for the period

In thousand EUR	2008	2007
Revenues		
Net sales revenues	14,897	13,813
Changes in value of inventory and work in progress	78	3,941
Other operating revenues	2,297	392
Revenues from financing	115,085	58,879
Other revenues	605	219
Total	**132,962**	**77,244**
Expenses		
Costs of goods, material and services	(5,532)	(11,507)
Labour costs	(4,672)	(4,107)
Write-offs	(11,387)	(6,513)
Other operating expenses	(1,143)	(1,057)
Expenses from financing	(108,115)	(46,915)
Other expenses	(184)	(51)
Total	**(131,033)**	**(70,150)**
Taxes	(927)	(1,962)
Net profit or loss for the period	**1,002**	**5,132**
a) majority share	947	5,100
b) minority interest	(55)	(32)

In thousand EUR	2008	2007
Type of profit/loss		
Operating profit/loss	(5,462)	(5,038)
Profit/loss from financing	6,970	11,964
Profit/loss from other operations	421	168
Taxes	(927)	(1,962)
Net profit/loss for the financial year	**1,002**	**5,132**
a) majority share	947	5,100
b) minority interest	(55)	(32)

4.17 Income tax

In thousand EUR	2008	2007
Income tax expense	(1,634)	(1,971)
Revenue/expenses from deferred tax	707	9
Total	**(927)**	**(1,962)**

OTHER IMPORTANT DISCLOSURES

The NLB Leasing Group

The NLB Leasing Group is made up of the parent company and its subsidiaries, where the parent company holds the majority share of the votes.

The NLB Leasing Group includes the following entities:
- NLB Leasing, d.o.o., Ljubljana
- NLB Leasing, d.o.o., Beograd
- NLB Real Estate, d.o.o., Beograd
- NLB Leasing Podgorica, d.o.o.
- NLB Leasing, d.o.o., Sarajevo
- NLB Leasing Sofia EOOD
- Optima Leasing, d.o.o., Zagreb
- OL Nekretnine, d.o.o., Zagreb

Names of Members of the Management Board and other Bodies

The Corporate Bodies of companies making up the NLB Leasing Group include the Shareholder's Meeting, the Supervisory Board ant the Management Board.

The Management Boards or rather Managing Director of the Group companies is as follows:

- NLB Leasing, d.o.o., Ljubljana
  - Management Board Chairman: Borut Simonič
  - Management Board Member: Samo Turk

- NLB Leasing, d.o.o., Beograd
  - Managing Director: Dušan Stankov

- NLB Real Estate, d.o.o., Beograd
  - Managing Director: Samo Turk

- NLB Leasing Podgorica, d.o.o.
  - Managing Director: Milan Marković

- NLB Leasing, d.o.o., Sarajevo
  - Managing Director: Amela Kalisi

- NLB Leasing Sofia EOOD
  - Managing Director: Tomaž Žnidaršič (until 10.01.2009)
  - Managing Director: Dimitar Atanasov Angelov (since 11.01.2009)
  - Clerk: Vito Cigoj (since 11.01.2009)

- Optima Leasing, d.o.o., Zagreb
  - Management Board Chairman: Ana Kralj
  - Management Board Member: Romana Fišer

- OL Nekretnine, d.o.o., Zagreb
  - Managing Director: Andrej Pogačnik

The Supervisory Board of NLB Leasing, d.o.o., Ljubljana includes the following members:
- Chairman: Alojz Slavko Jamnik
- Member: Jože Gašper Filiplič
- Member: Manja Kerstein
- Member: Božo Štor ml.
- Member: Andrej Flis

The Consultation Committee of NLB Leasing, d.o.o., Beograd and NLB Real Estate includes the following members:
- Chairman: Borut Simonič
- Member: Marko Herzog
- Member: Borut Stanič

The Supervisory board of NLB Leasing, d.o.o., Sarajevo includes the following members:
- Chairman: Borut Simonič
- Member: Marko Herzog
- Member: Ernest Žvar
- Member: Andrej Flis

The Board of Directors of NLB Leasing, d.o.o., Podgorica includes the following members:
- Chairman: Borut Simonič
- Member: Črtomir Mesarič
- Member: Marko Herzog

The Supervisory Board of Optima Leasing, d.o.o., Zagreb includes the following members:
- Chairman: Borut Simonič
- Member: Goran Crnčević
- Member: Marko Herzog

The Consultation Committee of NLB Leasing Sofija EOOD includes the following members:
- Chairman: Borut Simonič
- Member: Vito Cigoj
- Member: Marko Herzog

The Consultation Committee of OL Nekretnine, d.o.o., Zagreb includes the following members:
- Chairman: Borut Simonič
- Member: Goran Crnčević
- Member: Samo Turk

Major events in the companies of the NLB Leasing Group

In 2008, NLB Leasing Ljubljana raised the level of capital in subsidiaries: NLB Leasing Beograd in the amount of 1,140 TEUR and NLB Leasing Sarajevo in the amount of 255 TEUR.

Financial statements

The companies making up the NLB Leasing Group were audited within the scope agreed upon with the Group's independent auditor.

The financial year corresponds to the calendar year.

The Group annual report is prepared by the parent company and is available at its registered office, namely NLB Leasing, d.o.o., Ljubljana, Šlandrova ul. 2, Ljubljana.

The Group financial statements of the NLB Leasing Group for 2008 are prepared in line with the Slovene Accounting Standards and fundamental accounting assumptions; going concern, true and fair presentation and strict application of the accrual basis.

Receivables and liabilities due to Management Board members and other employees based on individual contracts and from members of the Supervisory Board.

The Group has receivables due from employees based on individual contracts in the amount of 165 TEUR (2007: 68 TEUR) and liabilities from gross earnings in the amount of 67 TEUR (2007: 41 TEUR).

Earnings of Management Board members and other employees on individual contracts, including Supervisory Board members

In 2008, employees on individual contracts based on performing specific jobs accounted for gross earnings in the amount of 1,060 TEUR (2007: 927 TEUR). Members of the Supervisory Board received gross earnings amounting to 43 TEUR (2007: 36 TEUR).

Auditor's fees

Pursuant to provisions of the Companies Act (ZGD-1), the company is obliged to carry out an audit of individual as well as group operations. The entire sum spent on the selected certified auditor for the Group in 2008 was 74 TEUR (2007: 80 TEUR) and refers to auditing annual reports of individual Group companies, as well as the annual report.

Events following the balance sheet statement date

We feel that there were no events following the balance sheet date that could significantly affect the financial statements of the Group.

Important disclosures for financial year 2009

In February 2009, NLB Leasing Ljubljana sold its 75.1% share of investments in OL Nekretnine, Zagreb to company NLB Leasing Koper.

FINANCIAL INDICATORS

In thousand EUR	2008	2007
1. Accounting ratios		
a) equity financing rate	5.42%	4.76%
equity/liabilities		
b) long-term financing rate	54.60%	64.37%
(capital + long-term liabilities) / liabilities		
2. Investment indicators		
a) operating fixed assets rate	6.21%	6.15%
tangible fixed assets in carrying value / assets		
b) long-term assets rate	60.34%	65.13%
long-term assets (excluding deferred taxes) / assets		
3. Horizontal financial structure indicators		
a) equity to operating fixed assets	0.87	0.77
capital / tangible fixed assets in carrying amount		
b) immediate solvency ratio	0.11	0.20
liquid assets / short-term liabilities		
c) quick ratio	0.14	0.28
(liquid assets + short-term receivables) / short-term liabilities		
d) current ratio	0.87	0.98
short-term assets / short-term liabilities		
4. Operating efficiency indicators		
a) operating efficiency ratio	0.76	0.78
operating revenues / operating expenses		
5. Profitability indicators		
a) net return on equity ratio	0.03	0.22
net profit for the financial year / average capital (excluding net profit)		
b) dividends to share capital ratio	0.28	0.28
dividends paid in the financial year / average share capital		